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**MARKETING CANNED FRUITS AND  
VEGETABLES PROCESSED BY  
COOPERATIVES, 1948-49**

By  
ANNE L. GESSNER  
and  
EDWARD C. COLLINS

Preliminary Report of a study made under the Research  
and Marketing Act Project "Merchandising  
Products Processed by Horticultural Cooperatives"

COOPERATIVE RESEARCH AND SERVICE DIVISION

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM CREDIT ADMINISTRATION  
WASHINGTON 25, D. C.

I. W. OUGGAN, GOVERNOR

COOPERATIVE RESEARCH AND SERVICE DIVISION

HAROLD HEDGES, CHIEF

JOSEPH G. KNAPP, ASSOCIATE CHIEF



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## Foreword

Three publications dealing with suggestions for improving the distribution of citrus juices have been released in this project under the following titles: "Buyers' Suggestions for Expanding Markets and Improving Distribution of Citrus Juices," (January 1948); "Wholesale Buyers' Attitudes Toward Citrus Juices," (April 1948); and "Sources and Distribution of Citrus Juices Purchased by Wholesale Buyers, 1946-47," (August 1948).

Following the work on citrus juices, a survey was undertaken of the general marketing practices of cooperatives canning and freezing fruits and vegetables. The results of this survey were published in a report entitled "Marketing Practices of Cooperatives Processing Canned and Frozen Fruits and Vegetables," (March 1949). This general survey was intended to provide background information for a more intensive study of the marketing practices of cooperative fruit and vegetable processors. Upon its completion a detailed analysis was undertaken of the sales made by 27 cooperative processing associations in the 1948-49 and 1949-50 seasons.

The working relationships developed over a period of years, between processing cooperatives and the Cooperative Research and Service Division, placed this Division in a singularly favorable position to undertake such a sales analysis, which has required the use of a large amount of highly confidential and detailed data. This study could not have been carried on without the cooperation and assistance of the cooperatives participating in it.

The sales analysis was supplemented by a survey of brokers in 19 major markets in which the 27 cooperatives marketed their products in the 1948-49 season. This publication is a preliminary report on the results of the analysis of the 1948-49 canned fruit and vegetable sales of these associations and on the findings developed in the broker survey. A final report, which will include an analysis of the 1949-50 sales data, is expected to be available by the end of 1951.

Inasmuch as the actual marketing practices of cooperative and other fruit and vegetable processors are very similar, with the major difference being in the field of pricing policy, much of this report will, no doubt, be of interest to other processors as well as to cooperative processors.

## Summary and Conclusions

Cooperative and other food processors greatly expanded and improved their operations during World War II. Primary emphasis during these years was placed on production. Following this period of general progress and expansion in the food industry, it became increasingly apparent that more attention needed to be given to marketing these food products.

The findings in this report are based on a detailed analysis of the sales of 27 cooperative associations in the 1948-49 season supplemented by information obtained in interviews with brokers representing these associations in 19 important primary markets.

In this survey of marketing trends, it was clearly evident that each market possesses important individual characteristics with respect to marketing processed foods. Any cooperative processor, therefore, desiring to compete successfully in these markets would be well advised to make a first-hand analysis of these characteristics before undertaking a large-scale marketing program. The variations in the composition of the individual markets serve to emphasize the necessity for a flexible marketing policy.

Major developments in the marketing of canned fruits and vegetables, such as the growth and expansion of super markets accompanied by a continuing shift to self-service retailing and the aggressive efforts of wholesalers to reduce their operating margins, have had an important effect upon the production and marketing practices of cooperative processors. In streamlining their operations and reducing their margins, wholesalers have tended to shift to the processors some of the functions which wholesalers previously performed. Therefore, cooperative processors, in assuming some of the expense of these additional functions will, no doubt, find it necessary to improve plant efficiency and reduce processing costs, in order to compete successfully.

During 1948-49 the associations studied were selling their canned fruits and vegetables under 120 brand names of their own and 855 different brand names of their buyers.

A major portion of the sales of canned noncitrus fruits and vegetables made by the associations included in this study was marketed under buyers' labels. Over two-thirds of the canned noncitrus fruits and 85 percent of the canned vegetables were sold under such labels. This emphasizes the importance of the private-label trade, which buys and promotes quality products under its own brand names, as an outlet for the products of these noncitrus fruit and vegetable cooperatives.

The brand policy of the associations marketing canned citrus juices and segments varied considerably from that of the other two groups of associations. Almost three-fourths of their volume was sold under their own labels.



The large amounts sold under buyers' labels by some associations indicate they are building up little brand equity of their own and may, to a greater extent, be subject to buyers' whims and to serious price competition. Confronted with these hazards, it would seem advisable for some associations to reappraise their brand policies, particularly when market conditions, such as greater demand and short supply, provide a more favorable climate for initiating desirable changes.

Brokers were important in distributing the products of these associations. About three-fourths of the sales of canned noncitrus fruits and vegetables and three-fifths of the canned citrus juices and segments were made through brokers.

A large share of the sales of these cooperatives was made to wholesale grocers, who purchased approximately 45 percent of the total. Chain stores and super markets purchased another 27 percent. Sales to independent retailers amounted to less than 1 percent, while sales to all other types of buyers, including Government, other processors, institutions, and consumers, amounted to slightly over 25 percent of the total. Another 2 percent went to unclassified buyers.

Less than 3 percent of the sales made by these cooperatives were quoted on the basis of delivered prices. Ninety-seven percent of the sales were quoted f.o.b. point of shipment, with 86 percent shipped freight collect and approximately 11 percent freight prepaid. Only four of the associations carried consigned stocks in some of the major markets.

Rail transportation was still the most important method of getting these canned products to market, with more than 63 percent transported in this way. Almost 20 percent reached primary markets by motortruck, and approximately 17 percent arrived by water.

These associations were marketing substantial portions of their packs of certain commodities in small container sizes. The trend to small can sizes has increased rapidly, particularly in those markets where the urban consumer is the dominant factor. Smaller family units, the desire for greater variety in the diet, and advances in food prices have all been contributing factors in this trend to smaller can sizes.

The percentages sold by these associations under each grade varied considerably for each of the three major commodity groups. Practically all the citrus juices, about two-thirds of the vegetables, and 30 percent of the noncitrus fruits were marketed as Fancy grade. Also, within the non-citrus and vegetable commodity groups there were wide variations in the percentages marketed under each grade by the individual associations. The broker survey indicated that the majority of cooperative processors were directing their efforts toward maintaining and improving the quality of their packs.

Cooperative principals were generally considered well informed and were highly regarded by the brokers representing them. Some criticism was

expressed, however, because of the failure of a cooperative principal to keep his broker well posted. In some cases, the principal had never been in the market and had never met his broker. Frequently failure to supply the broker with information on the cooperative's over-all marketing policy lessened his effectiveness to do the best possible selling job for his cooperative principal. On the whole, most cooperative principals included in the study had made little effort to have their brokers meet each other even though the annual conventions of food brokers and processors would generally have provided this opportunity.

Brokers' opinions of the reliability, integrity, and financial stability of their cooperative principals were very favorable. Their major criticism appeared to be in regard to the pricing policies of the cooperatives they represented. Frequently brokers indicated that they thought the membership of cooperatives should be educated with respect to marketing problems. They contended that too often cooperative management, although well informed on market conditions, was unable to make price adjustments or adopt a flexible price policy. This, in their opinion, was due largely to the fact that sales personnel was restrained by the attitude of the producer-members who wanted the highest possible returns in the current season and did not favor the adoption of a long-time policy which would improve the association's position over a longer period of time. Research might well give attention to a careful study of the pricing policies of cooperative processors and to the initiation of projects dealing with membership relations. Such projects should result in a better informed membership and thus enable personnel specialized in marketing to perform its selling function more effectively.

The opinions of brokers were sought with respect to the type of sales promotion they thought should be done by their cooperative principals. Almost two-fifths of the replies indicated that brokers saw no possibility for product promotion under the present scale of operation, largely because they believed that the small volumes or limited commodity lines of their cooperative principals did not warrant promotion. Also, the fact that the noncitrus fruit and vegetable cooperatives were marketing a large portion of their products under buyers' labels did not make product promotion currently practicable for these associations. A large number of those who favored promotion indicated they considered cooperative advertising in local newspapers the best way to obtain results for the amount of money spent. It was stated, however, that there should be a close tie-in between sales volume and advertising outlay, and usually it was suggested that the tie-in should be on a per case basis. Many favored promotion of individual commodities through national trade associations similar to the work done by the National Cherry Institute.

Some brokers indicated that they considered broker-sponsored labels as particularly adapted to the use of small cooperative processors who pack only one or two commodities and who, therefore, do not have sufficient volume or length of commodity line to warrant promoting their own labels.



Marketing Canned Fruits and Vegetables  
Processed by Cooperatives, 1948-49

By

Anne L. Gessner and Edward C. Collins  
Agricultural Economists

Importance of Cooperatives in Fruit and Vegetable Canning

The first organization of record set up by farmers in the United States for the purpose of cooperatively canning their products was a tomato cannery organized in Indiana in 1895. <sup>1/</sup> Cooperative canning got under way in the Pacific Northwest in the first decade of the present century. In 1900, the berry growers of Puyallup Valley, Washington, organized the Puyallup and Summer Fruit Growers' Association. Four years later this association began canning berries in addition to selling them fresh. The Eugene Fruit Growers Association, Eugene, Oregon, which appears to be the oldest existing cooperative fruit and vegetable cannery in the United States, was organized in 1908. Most of the citrus processing associations have been organized since 1930 when citrus juices began to be increasingly popular with consumers.

Records of the Cooperative Research and Service Division show 192 cooperative fruit and vegetable canneries had been started up to and including 1939, but that 101 of these associations had been either reorganized or discontinued. The associations which reorganized, merging their operations with other organizations, comprised about 16 percent of the 101 associations. Approximately 20 percent discontinued operations because of "insurmountable marketing difficulties." The remaining discontinuances were for various reasons, including insufficient volume, inefficient management, overexpansion, and lack of cooperation.

During World War II, many cooperative processing associations greatly expanded their operations. The large volume of processed foods which could be marketed at favorable prices and which was required to fill

<sup>1/</sup> Fogelberg, Neptune. Cooperative Canning of Fruits and Vegetables, Bul. 47, Farm Credit Admin., U. S. Dept. Ag., Washington, D. C., June 1941

NOTE: The authors desire to express appreciation to the following members of the Cooperative Research and Service Division: A. W. McKay, Assistant to the Chief of the Division, for counsel in conducting the study; J. K. Samuels, Chief of the Fruit and Vegetable Section, under whose general direction the study was made; G. H. Goldsborough, for helpful suggestions; and Ruth K. Christie, for statistical work. Acknowledgment is also made of the fine cooperation of the participating cooperative associations who have made this study possible by supplying data; and to Watson Rogers, president of the National Food Brokers Association and to broker members of this association, for their assistance and cooperation in supplying information on individual markets.

the needs of the military forces and the civilian population was an important incentive for this expansion. Not only were canning facilities greatly expanded, but great impetus also was given to processing frozen fruits and vegetables. Industry-wide, the war period was generally regarded as a favorable one for marketing canned and frozen foods.

In the 1946-47 season, 123 cooperative plants were canning or freezing fruits and vegetables or doing both. The sales value of the fruits and vegetables canned and frozen in these plants amounted to more than \$177 million. The following season, a number of cooperatives had begun to experience increasing difficulty in marketing their processed fruits and vegetables, with the result that some of them found it necessary to discontinue processing operations.

In the 1948-49 season, there were 107 cooperative plants canning and freezing fruits and vegetables, which was 16 less than the number in operation at the end of the war. The market value of the fruits and vegetables canned and frozen in cooperative plants dropped from more than \$177 million to slightly under \$144 million during this period. Several of the cooperatives which discontinued operations had been processing fruits and vegetables for many years and had greatly expanded their operations during the war. An important factor contributing to their failure appeared to be lack of sufficient marketing experience to enable them to survive in this highly competitive period. For several years the food-processing industry had experienced favorable prices, food shortages, and little or no need for sales effort and promotion. A change was beginning to set in and food prices were starting downward. There was every indication that the days of food shortages were over and that sales promotion and marketing know-how were once again becoming important requirements in distributing processed foods. Cooperatives unskilled in these requirements appeared to be headed for serious trouble.

#### Need for Marketing Study

During this transition from successful war-time operations to a situation in which selling had become increasingly difficult under highly competitive conditions, a number of cooperatives sought assistance on their marketing problems from the Cooperative Research and Service Division. These associations were interested in improving their marketing practices and thereby enhancing their competitive position in merchandising processed fruits and vegetables.

In order that more effective assistance might be given to cooperatives requesting assistance with their marketing problems, the current marketing practices of cooperatives canning and freezing fruits and vegetables were studied in detail. An analysis of sales records, a basic first step in any research program in marketing, was undertaken. The invoice records of a selected number of cooperatives were analyzed for a period of two fiscal years. A survey of brokers representing cooperatives in the major markets during the 2 years under study supplemented these statistical data.



Major objectives of the study were: (1) To examine distribution channels, transportation methods, sales promotion, brand and pricing policies, and other marketing practices, with a view to expanding markets or determining the most logical markets for fruits and vegetables processed by cooperatives; (2) to analyze trade preferences for kinds, varieties, grades, container sizes, and brands of products processed by cooperatives to serve as the basis for changes in production practices and processing techniques and to aid cooperative management in making decisions with respect to sales policies; (3) to analyze current practices to serve as the basis for future research on the distribution costs of cooperatives processing fruits and vegetables for the purpose of determining wherein savings may be effected; (4) to supply managements of smaller processing cooperatives with a more complete picture of marketing processed fruits and vegetables through an intensive study of the marketing of many processed fruits and vegetables in a number of important markets; and (5) to recommend such changes in marketing practices as appear desirable and feasible in developing more flexible and orderly marketing practices.

Changing conditions have an important bearing on the extent to which research findings with respect to marketing practices can be acted upon or be incorporated in current sales policies. Whether processors are operating in a buyer's or seller's market will have a marked effect on their marketing policies. The present study was undertaken for the purpose of assisting cooperative processors in a difficult marketing period.

### Procedure

The statistical information in this report has been developed from the sales records of 27 cooperative processing associations. An effort was made to have represented all geographic areas in which cooperative processing is a factor and to include the major fruits and vegetables cooperatives process. Although cooperatives are of much less importance in processing vegetables than in processing citrus and noncitrus fruits, it was decided to include data on the principal vegetables, particularly where such information could be obtained readily from cooperatives processing both fruits and vegetables.

Seven of the nine national geographic areas are included in the sample. These areas, together with the number of associations included in the sample from each area, are shown in table 1.

The principal fruits covered in the study include: Apples, applesauce, apricots, cherries (tart and sweet), fruit cocktail, peaches, pears, plums, and prunes, blackberries, boysenberries, loganberries, and raspberries (red and black). The principal vegetables include: Green and wax beans, sweet corn, peas, spinach, and tomatoes, including tomato juice. The principal citrus juices include grapefruit, orange, and orange-grapefruit (sweetened and natural).

Table 1. - Cooperatives in the sample classified by geographic area and type of processing

Geographic area	Number of associations included in sample that are processing --				
	Noncitrus fruits	Vegetables	Noncitrus fruits and vegetables	Citrus fruits	Total
Middle Atlantic.....	1	-	2	-	3
East North Central....	2	-	-	-	2
West North Central....	-	2	-	-	2
South Atlantic.....	-	1	-	4	5
West South Central....	-	1	-	1	2
Mountain.....	-	1	-	-	1
Pacific.....	5	-	7	-	12
Total.....	8	5	9	5	27

On a commodity basis, the sample represented 95 percent of the noncitrus fruits, about 70 percent of the citrus juices and slightly over 50 percent of the vegetables canned by cooperatives in the 1948-49 season. The appendix table, page 79, gives a detailed analysis of the commodity sample broken down by the principal individual fruits and vegetables included in this study.

Sales data analyzed in this report were obtained in all but two instances through contracts negotiated under the Research and Marketing Act of 1946 with processing cooperatives which furnished data on their sales for the fiscal years 1948-49 and 1949-50. <sup>2/</sup> The terms of the contract provided for transfer of the invoice data from the cooperatives' records to special Farm Credit Administration schedules by qualified personnel of the contracting cooperative.

#### Market Outlets for Fruits and Vegetables Processed by Cooperatives

Of major importance in the analysis of the sales records of the 27 cooperatives included in the study was the information supplied on the primary markets in which these associations were marketing processed fruits and vegetables in the 1948-49 season. Before this analysis was undertaken, very little published information was available regarding the markets in which these products were being sold. An analysis of the

<sup>2/</sup> One cooperative had no personnel available for the work but made arrangements for data to be assembled by Farm Credit Administration personnel. Another association had no personnel available for recording the 1948-49 data, but did contract to supply the 1949-50 data and made arrangements for Farm Credit Administration personnel to record the 1948-49 data.



statistical data on the market outlets has been developed in the major markets for citrus juices and segments, those for noncitrus fruits, and those for vegetables. Analyses for these three categories have been developed on the basis of a sample which included all cities in which at least 500 dozen or more cans of the three types of commodities were sold by the participating associations in the 1948-49 season.

Table 2 and chart 1 show the primary markets in which the cooperatives included in the study sold their citrus juices and segments in 1948-49. Based on the sample of cities in which at least 500 dozen cans were sold during the season, almost 70 percent of the citrus juices and segments combined were distributed to a total of 35 markets. These cities are shown in the order of their importance in the sale of all citrus juices and segments. Two Canadian cities are included in these 35 markets -- Toronto, which ranked third with 4.6 percent of the total, and Vancouver, which ranked twenty-fifth with 0.7 percent of the total. For each of the major juices the two classifications of "natural" and "sugar added (S/A)" are shown. A detailed review of the table indicates some interesting differences with respect to the percentages of sweetened and natural juices sold in individual markets.

Similar market data in table 3 and chart 2 are given for the principal canned noncitrus fruits marketed by these cooperatives in 1948-49. Approximately 84 percent of the total sales of noncitrus fruits were made in 34 markets, based on the sample of cities in which at least 500 dozen cans had been sold during the year.

The major markets for the principal canned vegetables marketed by these cooperatives in 1948-49 are shown in table 4 and chart 3. Thirty-two of the primary markets in which these cooperatives were marketing their canned vegetables accounted for 83 percent of the total sales in those markets where at least 500 dozen or more cans had been sold in 1948-49.

#### Broker Survey

The market analysis developed in tables 2 to 4 was used as the basis for determining which markets were most representative in marketing fruits and vegetables canned by cooperatives. The statistical analysis developed from the invoice records furnished by the cooperatives were supplemented with additional information obtained directly from brokers in those markets where cooperatives were marketing the major portion of their canned fruits and vegetables. The market outlets were analyzed not only with respect to types and quantities of commodities sold by cooperatives in each market, as shown in tables 2 to 4, but also with respect to the number of cooperatives whose products were represented in each market. Geographic location was another factor considered in selecting the markets for the broker survey, in order to develop the information on a Nation-wide basis insofar as possible. On the basis of the market data analysis, seventeen markets were selected: Baltimore, Boston, Chicago, Cincinnati, Cleveland, Dallas, Detroit, Kansas City, Los Angeles, Minneapolis-St. Paul, New York City, Philadelphia,

Table 2. - Canned single strength citrus juices and segments: Percentage of sales made by 4 cooperatives in major markets, 1948-49 <sup>1/</sup>

Markets	Total citrus juices and segments	Orange juice S/A		Orange juice natural		Grapefruit juice S/A		Grapefruit juice natural		Blended juice S/A		Blended juice natural		Tangerine juice S/A		Grapefruit segments natural		Grapefruit segments S/A		All other citrus juices and segments 2/
		Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent		
New York City, N. Y.....	10.7	4.0	15.6	12.5	6.7	14.2	12.8	23.6	14.4	14.4	11.5	14.4	11.5	14.4	11.5	14.4	11.5	14.4	11.5	
Philadelphia, Pa.....	10.1	9.6	2.4	15.6	1.6	16.9	0.6	5.8	43.5	43.5	12.1	12.1	12.1	5.3	5.3	5.3	5.3	5.3	12.1	
Toronto, Canada.....	4.6	1.1	0.8	5.6	9.1	8.8	0.3	6.7	1.6	1.6	7.8	7.8	7.8	6.9	6.9	6.9	6.9	6.9	10.8	
Detroit, Mich.....	4.5	4.8	7.3	5.0	3.1	1.6	31.4	5.4	5.4	5.4	0.1	0.1	0.1	5.4	5.4	5.4	5.4	5.4	2.9	
Los Angeles, Calif.....	4.4	-	-	-	9.5	9.5	0.3	3.0	-	-	-	-	-	-	-	-	-	-	-	
Cleveland, Ohio.....	3.4	1.9	9.2	6.1	1.6	8.1	4.0	3.5	2.7	2.7	4.2	4.2	4.2	3.7	3.7	3.7	3.7	3.7	4.2	
Houston, Tex.....	2.7	-	0.9	0.1	1.8	1.6	5.0	2.0	1.5	1.5	0.1	0.1	0.1	4.3	4.3	4.3	4.3	4.3	-	
St. Louis, Mo.....	2.5	2.5	6.5	1.1	0.6	0.9	1.3	2.3	7.5	7.5	0.7	0.7	0.7	0.1	0.1	0.1	0.1	0.1	0.5	
Chicago, Ill.....	2.0	0.1	0.8	3.4	2.1	3.7	4.2	0.4	4.4	4.4	8.4	8.4	8.4	3.0	3.0	3.0	3.0	3.0	3.0	
Cincinnati, Ohio.....	1.8	-	3/	7.4	3.1	2.3	0.6	1.8	0.8	0.8	1.6	1.6	1.6	1.8	1.8	1.8	1.8	1.8	1.6	
San Francisco, Calif.....	1.7	0.3	2.1	0.4	3.1	2.3	0.4	2.3	0.9	0.9	0.1	0.1	0.1	0.5	0.5	0.5	0.5	0.5	1.5	
Somerville, Mass.....	1.7	1.8	0.6	1.2	3.9	0.4	4.5	0.7	2.3	2.3	2.4	2.4	2.4	0.1	0.1	0.1	0.1	0.1	3.0	
San Antonio, Tex.....	1.5	-	1.0	2.3	1.1	0.8	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	1.6	
Portland, Ore.....	1.4	0.4	1.8	0.1	0.9	3.3	0.1	0.1	0.9	0.9	0.2	0.2	0.2	3.4	3.4	3.4	3.4	3.4	1.5	
Pittsburg, Pa.....	1.3	2.6	0.5	0.1	0.9	1.8	0.2	2.6	0.2	0.2	0.5	0.5	0.5	3.0	3.0	3.0	3.0	3.0	1.5	
Boston, Mass.....	1.2	0.8	0.8	2.5	2.6	0.2	2.6	0.2	2.6	2.6	0.1	0.1	0.1	0.6	0.6	0.6	0.6	0.6	0.4	
Denver, Colo.....	1.2	0.1	1.7	0.4	2.9	0.2	1.4	1.4	2.3	2.3	2.4	2.4	2.4	1.1	1.1	1.1	1.1	1.1	0.4	
Dallas, Tex.....	1.1	-	1.7	1.6	1.2	2.3	0.7	0.7	0.7	0.7	2.4	2.4	2.4	1.5	1.5	1.5	1.5	1.5	0.1	
Oakland, Calif.....	0.9	0.3	-	0.1	1.2	0.4	1.4	1.4	2.3	2.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.2	
New Orleans, La.....	0.9	-	-	0.1	2.5	0.4	-	-	0.9	0.9	0.2	0.2	0.2	6.8	6.8	6.8	6.8	6.8	0.1	
Ft. Worth, Tex.....	0.8	3/	4.2	3.6	0.9	0.2	1.4	1.4	2.3	2.3	0.2	0.2	0.2	1.2	1.2	1.2	1.2	1.2	3/	
Minneapolis, Minn.....	0.8	0.1	-	0.1	0.9	0.2	0.2	0.2	0.9	0.9	0.1	0.1	0.1	3/	3/	3/	3/	3/	0.3	
Oklahoma City, Okla.....	0.7	3.4	0.1	0.1	0.4	0.1	-	-	0.4	0.4	0.2	0.2	0.2	0.8	0.8	0.6	0.6	0.6	0.3	
Milwaukee, Wis.....	0.7	1.0	-	3/	0.2	2.3	3.8	3.8	1.3	1.3	-	-	-	7.1	7.1	0.6	0.6	0.6	1.1	
Vancouver, Canada.....	0.7	-	1.7	0.4	1.3	0.6	-	-	-	-	-	-	-	0.6	0.6	4.5	4.5	4.5	-	
East Hartford, Conn.....	0.7	0.5	0.6	0.2	0.4	0.3	0.1	0.1	0.4	0.4	0.8	0.8	0.8	0.8	0.8	0.3	0.3	0.3	0.8	
Indianapolis, Ind.....	0.6	1.2	0.2	0.6	1.8	0.3	0.2	0.2	0.4	0.4	0.1	0.1	0.1	3.0	3.0	0.3	0.3	0.3	0.1	
Des Moines, Iowa.....	0.6	-	0.2	0.6	1.8	-	0.2	0.2	1.8	1.8	-	-	-	-	-	-	-	-	3/	
Nashville, Tenn.....	0.6	0.1	0.2	0.1	1.9	0.4	1.2	1.2	1.9	1.9	0.1	0.1	0.1	-	-	-	-	-	0.1	
El Paso, Tex.....	0.6	0.1	3.3	-	0.9	0.4	1.2	1.2	0.9	0.9	0.2	0.2	0.2	0.2	0.2	-	-	0.3	3/	
Washington, D. C.....	0.6	0.5	1.3	0.2	1.1	0.3	0.7	0.7	1.1	1.1	0.3	0.3	0.3	0.7	0.7	-	-	1.7	0.7	
Mobile, Ala.....	0.6	2.6	0.3	0.6	0.1	0.1	0.7	0.7	0.6	0.6	0.1	0.1	0.1	0.7	0.7	0.1	0.1	1.7	0.9	
Toledo, Ohio.....	0.6	0.6	0.6	3/	0.6	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.3	0.3	2.2	2.2	0.1	0.9	
Seattle, Wash.....	0.6	0.3	0.4	0.9	0.1	0.5	1.6	1.6	0.1	0.1	0.6	0.6	0.6	0.8	0.8	-	-	0.1	0.4	
Beaumont, Tex.....	0.5	-	2.7	-	0.9	-	0.6	0.6	0.9	0.9	-	-	-	-	-	-	-	-	0.4	
Total - Major cities.....	69.3	40.7	69.3	72.1	74.9	74.5	87.1	75.0	87.5	87.5	65.4	64.1	64.1	75.0	75.0	87.5	87.5	65.4	64.1	
All other cities.....	30.7	59.3	30.7	27.9	25.1	25.5	12.9	25.0	12.5	12.5	34.6	35.9	35.9	25.0	25.0	12.5	12.5	34.6	35.9	
Grand total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1/</sup> Based on a sample of all cities in which cooperatives sold 500 dozen or more cans per season.

<sup>2/</sup> Includes Grapefruit and tangerine juice, lemon juice, citrus salad, orange segments, and orange and grapefruit segments.

<sup>3/</sup> Less than .05 percent.



FIGURE 1

PERCENTAGES OF CANNED SINGLE STRENGTH CITRUS JUICES AND SEGMENTS  
SOLD BY FOUR COOPERATIVES IN MAJOR MARKETS, 1948-49

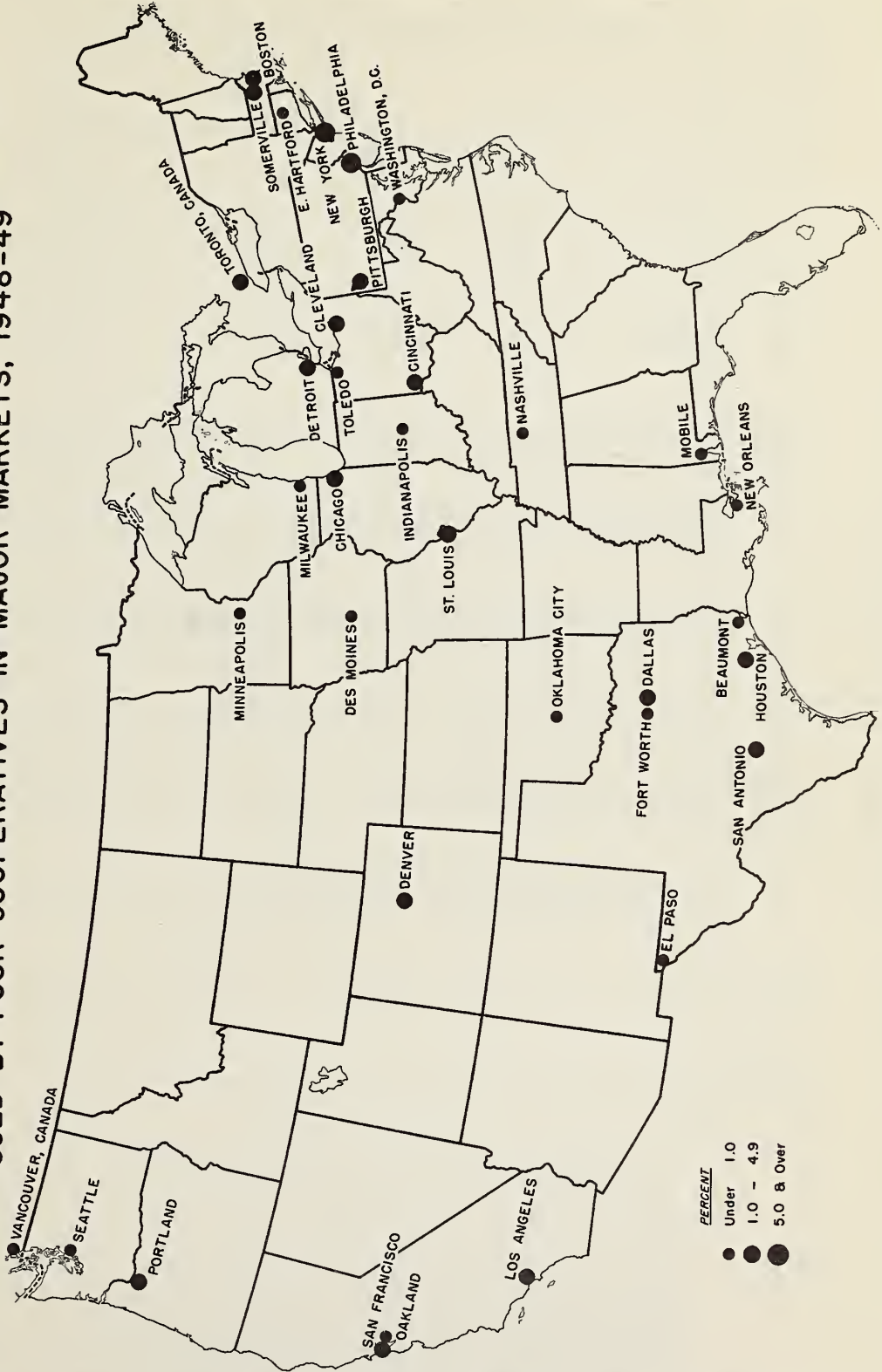


Table 3. - Canned noncitrus fruits: Percentage of sales made by 17 cooperatives in major markets, 1948-49 <sup>1/</sup>

Markets	Total non-citrus fruits	Apples and apple sauce	Apricots	Tart (RSP) cherries	Sweet cherries	Pears	Peaches	Plums and prunes	Black-berries	Boysen-berries	Rasp-berries (black and red)	All other noncitrus fruits <sup>2/</sup>
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
New York City, N. Y.....	21.6	0.9	19.9	0.7	54.2	26.1	26.8	18.6	19.7	4.3	26.0	19.8
San Francisco, Calif.....	7.2	43.6	5.8	2.6	8.9	9.3	3.6	6.9	23.1	18.3	3.5	6.4
Los Angeles, Calif.....	5.6	2.4	5.9	12.8	6.9	7.6	3.2	3.0	8.5	8.5	-	4.2
Baltimore, Md.....	4.9	-	4.7	-	0.3	2.1	9.6	0.4	-	-	-	6.7
Chicago, Ill.....	4.2	0.4	9.2	0.2	1.0	6.1	7.2	1.8	-	11.6	5.9	2.0
Philadelphia, Pa.....	3.7	-	8.0	-	1.0	2.2	3.2	9.8	-	-	-	8.1
Boston, Mass.....	2.5	-	2.6	0.5	1.7	1.6	6.2	0.5	-	4.4	9.5	5.7
Portland, Ore.....	2.4	14.0	4.6	0.1	0.3	4.4	1.6	3.5	17.8	6.1	6.0	1.5
Detroit, Mich.....	2.2	-	2.6	1.1	-	1.8	1.8	4.5	0.1	0.3	0.5	3.9
Pittsburgh, Pa.....	1.9	2.8	2.2	0.7	1.6	0.7	2.7	0.3	0.1	0.2	1.2	1.7
St. Louis, Mo.....	1.8	-	5.0	4.6	0.6	1.2	1.3	0.3	1.0	0.2	1.0	4.1
Milwaukee, Wis.....	1.6	0.5	1.7	1.7	-	4.9	1.5	1.9	3.1	-	1.0	1.0
Des Moines, Iowa.....	1.5	-	2.0	7.6	0.2	0.3	1.5	0.2	1.0	1.0	-	1.0
St. Paul, Minn.....	1.4	-	0.2	0.9	-	1.4	1.9	0.5	-	-	-	3.3
Dallas, Tex.....	1.3	-	0.6	0.1	-	0.8	3.0	0.3	-	2.0	-	0.9
Cincinnati, Ohio.....	1.2	-	1.4	0.3	0.2	0.3	2.6	3.7	-	-	-	1.8
Denver, Colo.....	1.2	1.6	1.4	-	-	2.0	0.9	0.9	23.3	2.3	7.3	0.8
Indianapolis, Ind.....	1.2	0.7	2.4	0.7	0.5	1.9	1.4	0.5	0.6	-	0.2	0.4
Kansas City, Mo.....	1.1	2.2	2.0	5.0	1.6	2.2	0.5	0.4	4.1	4.1	0.2	0.3
Newark, N. J.....	1.0	-	1.6	-	5.5	2.2	0.5	1.9	-	-	-	0.5
Oklahoma City, Okla.....	0.9	-	0.9	5.1	-	0.2	0.1	1.6	-	-	-	0.6
Buffalo, N. Y.....	0.9	-	0.5	-	3.7	0.2	1.0	2.5	-	-	15.1	1.1
Cleveland, Ohio.....	0.9	-	0.9	0.2	0.8	2.1	0.7	-	-	-	-	1.3
Jacksonville, Fla.....	0.9	-	0.3	0.2	2.2	0.5	1.2	0.6	-	-	-	1.6
Columbus, Ohio.....	0.8	-	0.1	0.2	3.0	1.0	0.4	0.6	-	0.6	0.5	2.0
Wichita, Kans.....	0.8	0.6	0.5	0.9	0.3	0.8	1.1	0.1	0.5	0.6	-	0.7
Somerville, Mass.....	0.6	-	-	0.3	-	2.6	-	2.9	4.5	-	-	-
Nashville, Tenn.....	0.6	-	-	-	-	0.4	1.4	-	-	-	-	0.5
Minneapolis, Minn.....	0.6	0.2	3.7	0.4	0.2	0.3	0.2	0.6	1.1	0.1	3.7	2.3
Havana, Cuba.....	0.6	-	-	-	-	10.4	0.7	-	-	-	-	2.1
Charlotte, N. C.....	0.5	-	0.2	0.1	-	0.1	0.1	0.8	-	-	-	0.6
Atlanta, Ga.....	0.5	-	-	2.5	-	0.7	0.2	0.1	-	-	-	0.2
Tampa, Fla.....	0.5	-	0.1	-	-	1.4	1.4	0.1	-	-	-	0.1
Seattle, Wash.....	0.5	0.4	0.7	0.1	-	0.2	0.6	3.7	-	1.2	4.4	0.7
Total - Major cities.....	83.7	70.3	92.0	49.6	92.9	96.8	92.1	69.1	92.0	82.8	81.6	90.8
All other cities.....	16.3	29.7	8.0	50.4	7.1	3.2	7.9	30.9	8.0	17.2	18.4	9.2
Grand total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1/</sup> Based on a sample of all cities in which cooperatives sold 500 dozen or more cans per season.

<sup>2/</sup> Includes loganberries, mixed fruits, fruit salad, and fruit cocktail.

<sup>3/</sup> Less than .05 percent.

FIGURE 2

# PERCENTAGES OF CANNED NONCITRUS FRUITS SOLD BY 17 COOPERATIVES IN MAJOR MARKETS, 1948-49

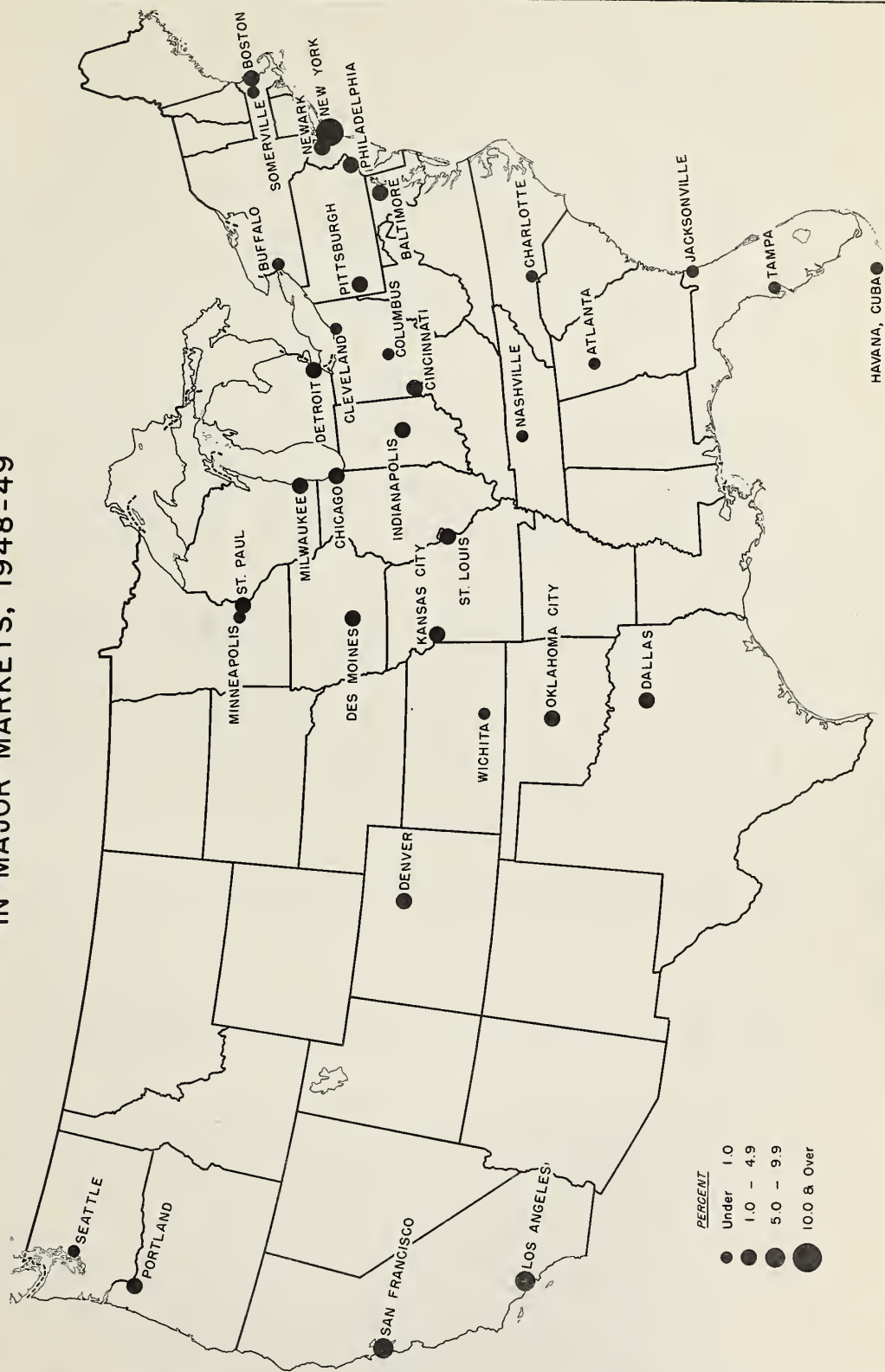


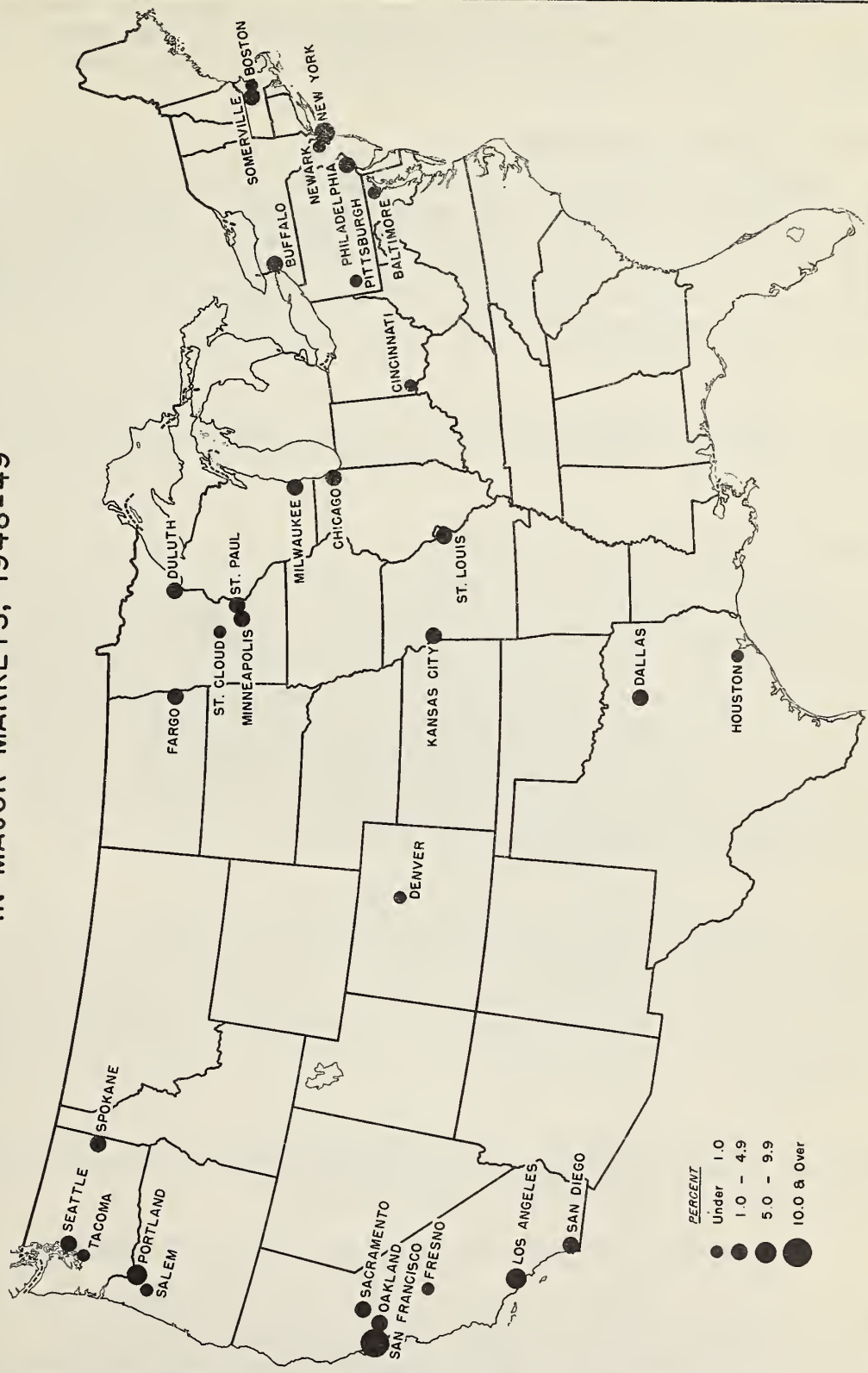
Table 4. - Canned vegetables: Percentage of sales made by 13 cooperatives in major markets, 1948-49 <sup>1/</sup>

Markets	Total vegetables	Beans, Green	Beans, wax	Corn	Peas	Pumpkin	Spinach	Tomatoes	All other vegetables 2/
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
San Francisco, Calif.....	23.4	34.8	-	17.3	18.3	54.0	5.1	-	34.0
New York City, N. Y.....	7.4	4.3	10.4	5.2	13.4	-	11.0	19.8	0.2
Los Angeles, Calif.....	7.3	3.4	7.2	5.0	12.5	38.4	0.3	1.7	15.9
Portland, Ore.....	6.9	7.6	-	10.2	5.0	2.0	0.3	0.7	14.4
Seattle, Wash.....	4.2	5.4	-	3.4	3.6	-	5.8	-	17.2
St. Paul, Minn.....	3.6	-	-	7.8	5.5	0.3	1.6	-	-
Chicago, Ill.....	3.2	2.3	23.3	4.7	-	1.5	8.9	-	-
Minneapolis, Minn.....	2.8	0.2	-	6.6	3.6	-	-	-	-
Philadelphia, Pa .....	1.8	1.6	-	-	0.4	-	15.5	12.0	-
Spokane, Wash.....	1.6	2.0	-	0.6	3.3	-	-	-	3.3
Somerville, Mass.....	1.5	2.1	4.8	-	1.3	-	-	-	0.4
Sacramento, Calif.....	1.5	2.5	-	1.2	3.4	-	-	-	-
San Diego, Calif.....	1.4	1.1	-	1.1	3.4	-	-	-	-
Buffalo, N. Y.....	1.2	0.3	2.0	3.4	-	-	0.6	3.5	-
Dallas, Tex.....	1.2	0.3	-	1.7	0.2	0.7	0.9	1.3	-
Oakland, Calif.....	1.2	1.6	-	-	-	-	1.2	-	6.1
Kansas City, Mo.....	1.2	2.0	-	-	0.7	0.2	6.3	-	-
Milwaukee, Wis.....	1.0	-	-	2.9	-	-	3.5	-	-
St. Louis, Mo.....	1.0	0.9	5.8	0.3	-	0.2	9.2	-	-
Fargo, Nc. Dak.....	1.0	-	1.0	2.6	1.1	-	-	-	-
Duluth, Minn.....	1.0	0.3	-	3.0	-	-	-	-	-
Houston, Tex.....	0.9	0.9	-	-	1.9	-	-	4.7	-
Fresno, Calif.....	0.8	1.2	-	0.5	1.3	-	-	-	1.4
Boston, Mass.....	0.8	1.6	2.2	0.6	0.1	-	1.0	-	-
Tacoma, Wash.....	0.8	1.0	-	1.5	-	-	-	-	3.1
Pittsburgh, Pa.....	0.8	0.9	2.8	-	-	-	8.3	-	-
Cincinnati, Ohio.....	0.8	0.8	20.7	-	-	-	-	-	0.5
Salem, Ore.....	0.7	1.3	-	1.0	0.1	-	-	-	1.1
Denver, Colo.....	0.6	-	-	-	2.7	-	-	12.6	-
Baltimore, Md. ....	0.6	0.7	-	-	-	-	-	-	-
St. Cloud, Minn.....	0.5	-	-	0.9	1.2	-	-	-	-
Newark, N. J.....	0.5	1.0	-	0.4	-	-	1.4	-	3/
Total - Major cities.....	83.2	32.1	80.2	85.3	82.9	97.3	30.9	56.3	97.6
All other cities.....	16.8	17.9	19.8	14.7	17.1	2.7	19.1	43.7	2.4
Grand total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1/</sup> Based on a sample of all cities in which cooperatives sold 500 dozen or more cans per season.<sup>2/</sup> Includes beets and carrots.<sup>3/</sup> Less than .05 percent.



FIGURE 3  
PERCENTAGES OF CANNED VEGETABLES SOLD BY 13 COOPERATIVES  
IN MAJOR MARKETS, 1948-49



Pittsburgh, Portland (Ore.), San Francisco, St. Louis, and Washington (D.C.). To obtain a more complete representation on the basis of geographic location, Atlanta (Ga.) and Richmond (Va.) were added to the sample.

#### Number of Brokers Interviewed

All brokers, who represented cooperatives as well as other principals, were interviewed in each of the markets selected. The number of brokers interviewed in each market classified by the number of cooperative principals, or clients, they represented is shown in table 5. More than two-thirds of the brokers represented only one cooperative. One broker represented four cooperatives and one other represented five, which was the maximum number represented by any broker interviewed.

Table 6 shows the number of brokers interviewed classified by the value of food products they handled during 1950. More than four-fifths of these brokers were handling food products valued at \$1 million or more in 1950.

#### Information Requested from Brokers

The questionnaire used in the broker survey is reproduced on page 81 of the appendix. Included in the information requested from brokers was: (1) The attitudes of buyers in each market toward products processed by cooperatives and toward similar competitive products; (2) brokers' appraisal of cooperative management with respect to knowledge of the market, flexibility of marketing policy, and understanding of significant trends; (3) principal broker contacts and relationship; (4) possibilities for improving specific marketing practices of cooperative principals, particularly those relating to brand, price, and promotional policies; and (5) general information on the individual market and important recent developments in each market.

Many of the questions contained in the broker questionnaire were directly related to the statistical data developed from the sales records of the cooperatives participating in the study. The tabulations covering the brokers' replies to these questions will, therefore, supplement the statistical analysis at those points in this report where they are specifically related to the discussion of the sales data analyzed for the 1948-49 season.

However, before proceeding to the analysis of the sales data, a brief resume of recent developments in the markets where cooperatives made a major portion of their 1948-49 sales is given.

#### Developments in Marketing Processed Fruits and Vegetables

Any discussion of market trends must necessarily take into consideration the fact that Nation-wide trends can be extremely misleading. A cooperative which contemplates entering new markets or expanding its selling operations would certainly be warranted in making a careful analysis of developments in a specific market before initiating a new marketing

Table 5. - Brokers interviewed in each market classified by number of cooperative principals represented in 1950

Markets	Number of brokers representing -					Total number of brokers interviewed
	1 cooperative	2 cooperatives	3 cooperatives	4 cooperatives	5 cooperatives	
Atlanta.....	5	-	1	-	-	6
Baltimore.....	5	2	1	-	-	8
Boston.....	6	2	-	1	-	9
Chicago.....	14	1	-	-	-	15
Cincinnati.....	4	1	-	-	-	5
Cleveland.....	4	2	-	-	-	6
Dallas.....	5	3	1	-	-	9
Detroit.....	5	1	1	-	-	7
Kansas City.....	4	-	2	-	1	7
Los Angeles.....	6	2	1	-	-	9
Minneapolis-St. Paul....	7	-	1	-	-	8
New York City.....	9	3	-	-	-	12
Philadelphia.....	7	3	1	-	-	11
Pittsburgh.....	1	3	-	-	-	4
Portland (Ore.).....	4	2	-	-	-	6
Richmond (Va.).....	5	1	-	-	-	6
San Francisco.....	8	1	1	-	-	10
St. Louis.....	6	-	3	-	-	9
Washington (D. C.).....	1	1	2	-	-	4
Total.....	106	28	15	1	1	151

Table 6. - Brokers interviewed in each market classified by value of food products handled in 1950

Markets	Number of brokers handling volume of -				Total number of brokers interviewed
	Under \$250,000	\$250,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	
Atlanta.....	-	1	1	4	6
Baltimore.....	1	1	-	6	8
Boston.....	-	-	2	7	9
Chicago.....	-	-	5	10	15
Cincinnati.....	-	1	-	4	5
Cleveland.....	-	-	-	6	6
Dallas.....	-	-	1	8	9
Detroit.....	-	-	2	5	7
Kansas City.....	-	-	1	6	7
Los Angeles.....	1	-	1	7	9
Minneapolis-St. Paul....	-	-	-	8	8
New York City.....	-	1	-	10	1/ 12
Philadelphia.....	-	1	1	9	11
Pittsburgh.....	-	1	-	3	4
Portland (Ore.).....	-	-	2	4	6
Richmond (Va.).....	-	-	-	6	6
San Francisco.....	-	-	-	10	10
St. Louis.....	-	-	1	8	9
Washington (D. C.).....	-	1	1	2	4
Total.....	2	7	18	123	1/ 151

1/ One broker did not supply information on the value of products handled.



program. On the basis of the market survey reported here, it was apparent that trends developing in some markets did not pertain to others even though these markets were not widely separated.

### Cooperative Wholesaling

The rapid increase and expansion in cooperative wholesaling in a number of markets included in this study, is one of the most significant developments in marketing processed fruits and vegetables. Cooperative wholesaling may be carried on in two different ways. It may be sponsored by a wholesaler with a group of independent retailers affiliating themselves with him for the purpose of buying, advertising, or carrying on other merchandising activities cooperatively. Or, the wholesaling functions may be retailer-owned. Under this arrangement, the wholesale organization is owned cooperatively by affiliated groups of retail grocers who are the stockholders. The affiliated stores generally purchase a major part of their supplies from their own wholesale warehouse, which is managed and operated by personnel employed by the stockholders. Subject to earnings, the retail stockholders receive dividends based on the volume of their purchases for a specified period.

In many instances, such cooperative wholesaling arrangements appear to have developed largely as the result of necessity on the part of independent retailers to streamline their operations in order to compete with the low-cost methods of the large national, regional, or local chain stores.

In the Los Angeles market, for example, where brokers interviewed estimated that approximately 60 percent of the food sales in that market were made through independent retail outlets, cooperative wholesale organizations have become a major factor in the market. Brokers in this market indicated that a number of wholesale grocers discontinued business for various reasons over a period of 25 to 30 years prior to 1940. Since 1940, the greatest expansion of cooperative buying organizations has occurred in Los Angeles and these organizations have filled the void created by the discontinuance of some independent wholesalers. They are now extremely important factors in this market along with chains and the remaining wholesale grocers. One of the larger cooperative wholesalers, to whom cooperative processors sold a substantial amount of canned fruits and vegetables in 1948-49, was doing an estimated business of \$130 million in 1950 and had a membership of 1,400 retail stores.

Philadelphia is another market in which cooperative wholesaling is an important factor in marketing processed fruits and vegetables. Brokers regarded Philadelphia as a market in which there are probably more cooperative buying organizations than in any other market in the United States. One of the leading cooperative wholesaling organizations in this market had 2,100 retail store members in 1950 and annual sales of approximately \$28 million.



A very significant difference, however, exists insofar as brand policy is concerned between the Los Angeles and Philadelphia markets. Although cooperative wholesaling is an important factor in both markets, the Los Angeles market is rated as a market in which nationally advertised brands dominate. Philadelphia, on the other hand, although closely resembling the Los Angeles market in its development both of cooperative wholesaling organizations and large super markets, is rated by brokers as a private-label <sup>3/</sup> market. This fact emphasizes again the importance of understanding the marketing practices in individual markets and that any generalizations regarding marketing trends can be rather misleading. It was mentioned in the broker interviews that since Philadelphia is a very large private-label market, at times buyers ask the canner who is a regular source of supply to help in some way to offset the cost of advertising and featuring these private brands. It was stated that some of the canners, selling under private labels, consider private-brand business in Philadelphia very desirable. The cost of promoting their own brands might be prohibitive in view of the fact that those nationally advertised brands which are featured in the Philadelphia market are promoted in an aggressive manner.

Several large cooperative wholesalers are operating in the Boston market and are represented in every large market in New England. They are not, however, considered as major factors in the marketing pattern for these markets.

In the Chicago market, cooperative wholesalers have streamlined their operations so that they can compete in their pricing policies with the large chain stores which dominate the market. The cooperative wholesalers in the Chicago market were credited by brokers with a reduction in their operating margins comparable with the low margins taken by cooperative wholesalers in Los Angeles and Philadelphia.

In the Atlanta (Ga.) market one large cooperative wholesale organization with a membership of 360 retail stores was reported to be doing an annual business of about \$8 million with a net operating cost of less than 4 percent.

In the Richmond market one cooperative wholesaling organization had a membership of 270 stores and an annual volume of approximately \$5 million. Two other smaller cooperative wholesale organizations were also important in distributing canned fruits and vegetables.

Cooperative wholesaling is considered an important factor in distributing canned fruits and vegetables in the Washington (D. C. ) market. One of the cooperative wholesaling organizations has a membership of 260 retail stores and is estimated to be doing about 10 percent of the total grocery business in this market. Two other cooperative wholesaling organizations have a membership of about 100 stores each.

3/ Private labels (or brands), as used in this report, are those sponsored by wholesalers or retailers as distinguished from those sponsored by processors.

Cooperative wholesale operations are not an important factor in the Baltimore market. This no doubt is due largely to progressive independent wholesale operations. One large independent wholesaler serving about 1,400 retail outlets is credited with performing a very efficient and low-cost operation. The operations of this large independent wholesaler closely parallel those of cooperative wholesalers in many respects.

In Cincinnati, cooperative wholesaling is an important factor and two organizations have a membership representing more than 800 retailers in the area. This is out of a total of approximately 2,500 retailers. Those belonging to the cooperatives are regarded as representing a majority of the better class, larger stores in the Cincinnati area. One of these two organizations is reputed to be probably the most outstanding cooperative wholesaler in the State of Ohio. Brokers indicated it was effectively and aggressively meeting chain-store competition in all phases of its operations.

Other markets in which cooperative wholesaling has developed, but in which it does not represent a major factor, include St. Louis and Minneapolis-St. Paul. In these markets the cooperative wholesale grocers are marketing largely under their own labels.

It is interesting to note that while the cooperative wholesaling development is a major factor in the Los Angeles market, this is not the case in the San Francisco market, where large independent wholesalers have been aggressive in promoting sales under their own labels.

Likewise in the New York City market cooperative wholesaling organizations have been slow to develop and those which are operating do not represent the closely knit type of organization which has developed in Los Angeles or Philadelphia.

#### Book-Selling

Closely related to the trend toward cooperative wholesaling has been the development of "book-selling" operations. This method of operation, while particularly adapted to the cooperative wholesaling arrangement, is also used by some large independent wholesalers. This is particularly true where the large independent wholesalers have lined up a number of retail stores with which they do business on a contract basis.

Under the book-selling operation a price-order book is periodically furnished the retail store by the wholesale organization with which it is affiliated. The price-order book lists the commodities approved by the wholesale buying office (referred to by brokers as the "front office") and the price per unit. Each item listed has a code number which is used as the order number by the retailer. Actually the price-order book is a catalogue of the commodities which can be ordered from the wholesale warehouse and is used also as an order blank with the quantities desired inserted by the retailer after the code number. In some wholesale organizations delivery days are specified and orders must be received by the



wholesale office not later than 8:00 a.m. of the delivery day. In other organizations, however, operations are on a cash-and-carry basis.

Cooperative processing associations desiring to market their canned fruits and vegetables through these large wholesaling organizations are many times confronted with the necessity for intensive promotional work before they are able to get their products listed in the price-order book. In marketing through these large wholesalers, the procedure is first to obtain from the "front office" approval for the retailing of their processed products by the retailers affiliated with the wholesale organization. This is just the initial step as it is then necessary for the processor to contact the member retail stores and "sell them" on stocking his products which have now received prior approval from the wholesale organization.

Under the book-selling operation the broker, in addition to his usual function of finding outlets for his principal's products, is required to assume many of the merchandising functions previously performed by the salesman of the wholesaler. This includes arranging for specialty work at the point of sale. The expense of such point-of-sale promotion is generally borne by the processor, although some of the brokers interviewed indicated that the burden of this expense had frequently fallen on them. A few brokers indicated, however, that these added costs were partially offset by increased volume.

In the initial stages, brokers indicated they frequently furnished trucks to drop off a few cases at various retail stores as the products were needed. When the product has been established as a fast mover and the rate of turnover in the retail stores appears satisfactory, arrangements are made by the wholesale organization to carry stocks in its warehouse.

Although book-selling has become a particularly important factor in the Los Angeles market, in varying forms, it is also being used in other markets as well. In Boston, which was generally rated by brokers as a conservative market and slower to initiate changes in marketing operations, two large wholesalers, one of whom is a cooperative wholesaler, had adopted this method of operation.

In Philadelphia several large wholesale organizations were operating under the book-selling method. In the Minneapolis-St. Paul market book-selling is employed by the cooperative wholesalers and the cost-plus independent wholesalers from whom the large super markets buy. Brokers estimated that the super markets are buying from the cost-plus wholesalers for as low as cost plus 2 percent. In the Cleveland market many of the large independent super markets have pooled their buying power and buy under contract from one large independent wholesaler employing the book-selling operation. Under this arrangement they are also advertising cooperatively. This has been their most effective method of competing with the large national chains. Book-selling is employed by the cooperative wholesaling organizations in Atlanta, Richmond, and Washington, and by some of the larger independent wholesalers in Baltimore, and by wholesalers in many other major markets.



### Lower Operating Margins

Of major importance in this development of cooperative wholesaling and book-selling operations is the reduction achieved in operating margins by these wholesalers. <sup>4/</sup> In some cases operating margins of less than 3 percent are reported. These lower wholesale margins have been reflected in lower prices to consumers. In Los Angeles this type of streamlined wholesaling as well as aggressive merchandising by chain stores, particularly regional chains, has resulted in a highly competitive market where the prices for canned foods are generally regarded as about the lowest in the United States.

In streamlining operations at wholesale levels to accomplish these lower operating costs, wholesalers have tended to shift much of the burden and risk in marketing back to the processor. The canner has been required to assume a greater part of the storage function than formerly. These lower wholesale margins are also achieved as a result of greater promotional effort and expense on the part of the processor. The added cost of these marketing functions, now shifted to the processor, indicates that greater operating efficiency and lower processing costs must be attained by the cooperative processor if he desires to stay in the picture as a supplier for such wholesale outlets.

### Expansion of Super Markets <sup>5/</sup>

The increasing number and greatly expanded operations of super markets is significant in marketing processed fruits and vegetables in a number of markets. Accompanying this growth of super markets has been the conversion to self-service retailing. In many of these super markets, other commodity lines have been added to the grocery line. This was particularly true of the super markets in the Los Angeles and Philadelphia markets, where not only drugs and other non-grocery items have been added to their stocks, but wearing apparel as well. In a number of these super markets there are fountain-lunch departments. Brokers estimated that there are 1,000 super markets in the Los Angeles market alone. Many of

<sup>4/</sup> A study of the Los Angeles market indicated that wholesale margins in 1920 averaged 12 percent. See Ralph Cassady, Jr., and Wylie L. Jones, "The Los Angeles Wholesale Grocery Structure: 1920-1946: A Case Study." The Journal of Marketing, September 1949. Vol. XIV, No. 2, pp. 169-177.

<sup>5/</sup> There seems to be no rigid definition for a super market. There are certain general characteristics which usually apply. Generally they have more floor space, larger sales, and more employees than typical independents. They appeal to buyers on the basis of low prices. Other features include mass displays, self-service, rapid turn-over, stocking of nationally advertised brands, limited service and cash-and-carry operations. An effort is generally made to provide parking facilities and they are frequently located along main traffic lines. In this survey, the trade appeared to regard \$10,000 a week an average volume for super markets.

these super markets have been particularly aggressive in merchandising frozen food. Frozen food sales are claimed by some of these stores to be returning the highest revenue per square foot of floor space of any food commodity they are handling. Parking facilities have generally been regarded as an important factor in the development of super markets. An added service in many of these markets is the check-out slip which permits the customer to pick up his purchases at the back of the store, thus eliminating some of the handling and waiting at the check-out counter. In a number of markets several independent super markets have affiliated to provide their own wholesaling and warehousing operations. The number of hours super markets operate daily have been increasing and a few of them, particularly on the Pacific Coast, now operate on a 24-hour schedule.

The rapid development of super markets in the Los Angeles area was regarded by some brokers as due, in part, to cooperative wholesaling which is prevalent in this market. The lower-cost operation of the cooperative wholesaler allows the super market to streamline its operations and costs to a point where it can compete with the large direct-buying chain and, therefore, a good super market, well managed, develops and grows and becomes a two-market operation. With continued development, this operation expands and ultimately becomes a small super market chain as the result of this low-cost streamlined operation. One broker indicated that a 17-store chain of super markets in the Los Angeles area was credited with selling over \$20 million of dry groceries in one year. This, he pointed out, is an example of what has developed as a result of the cooperative method of wholesaling.

Super markets in the Pacific region are generally considered the leaders in their percentage of the total grocery and combination store volume. Next is the Middle Atlantic area. A survey of the super market volume in 1949 indicated that super markets in the Pacific area did 42.3 percent and those in the Middle Atlantic 37.7 percent of the total grocery and combination store volume in their respective areas. <sup>6/</sup> The same survey indicated that in number, California outranked all other States with 1,666 super markets and was followed by New York with 1,191 super markets. According to this survey, about 70 percent of the new super markets built in 1949 were in the small or medium classification with 3,000 to 8,000 square feet and 8.9 percent were in the 21,000 to 22,000 square-foot classification. It was further indicated that while the average super market was 8,617 square feet, those in the South Atlantic averaged 7,131 square feet, those in the Middle Atlantic 9,550 square feet, and those in the Pacific 11,316 square feet. This same survey indicated that in 1949 about 28 percent of the super markets had full or partial self-service in meat or delicatessen departments or in both, that almost 95 percent had a frozen food department, and almost three-fourths of them had drug and cosmetic departments.

<sup>6/</sup> Weekly Digest, Food Markets, January 28, 1950.



Detroit is another market in which the super market development has been very important. In addition to the super markets of the corporate chains, brokers indicated there were approximately 100 large independent super markets in this market. Other markets in which super markets are increasing and expanding their lines include St. Louis and Kansas City, although the development has been at a somewhat slower rate. A broker estimated that 25 percent of the super markets in the Minneapolis-St. Paul market do 75 percent of the grocery business. In New York City, the trend to large super markets has not developed to the same extent as in Los Angeles and some of the other markets. This was attributed by some brokers to the high value of real estate which did not encourage expanding and lengthening commodity lines. The trend in many markets indicated super markets were developing in the suburban areas.

Independent super markets are an important factor in the large independent retail volume handled in the Baltimore market. One of the largest of the independent super markets was reported to be doing an annual volume of approximately \$8 million. It stocked drugs, wearing apparel, kitchen utensils, and other nonfood items. In this market, some of the larger independent super markets had assumed the wholesale function and were operating their own warehouses. The super markets in the Baltimore market are, for the most part, smaller in size than in some of the other markets included in this survey.

In Washington, D. C., super markets are reported by brokers to be doing a very large percentage of the total grocery business.

#### Container Sizes

An important shift in a number of the markets in which cooperative processors are marketing their canned fruits and vegetables has been toward smaller can sizes. The subject of container sizes is discussed in some detail on pp. 43-47.

#### Over-All Market Developments on Brand Policy

The study made of the individual markets supplied by cooperative fruit and vegetable processors provides some indication of the extent to which brand policies fluctuate in specific markets. In the analysis of the sales data of the cooperatives participating in this study the volumes sold under processors' and buyers' labels were examined and the results are presented in tables 20 to 25 which appear on pp. 49-52.

An appraisal of each market in regard to brand policy developed from broker interviews follows:

Atlanta (Ga.) This is predominantly a market for nationally advertised brands. Brokers estimated that more than 60 percent of the canned fruits and well over 50 percent of the canned vegetables are sold under nationally advertised brands. They estimated that corporate chain stores do about 60 percent of the food business in this market. This is regarded



as a highly competitive market. Cooperative wholesaling is an important factor in the volume of business and the low margins taken and few brands packed by cooperative processors are stocked because they lack promotion.

Baltimore. Brokers in this market estimated that 60 percent of the citrus fruits and vegetables are sold under nationally advertised brands, 25 percent under private labels promoted by buyers, and 15 percent under unadvertised processors' brands. They further estimated that independent retail stores do about 65 percent of the retail grocery business, and corporate chains the remaining 35 percent. The amount of super market business is important in the independent retail store volume. Cooperative wholesaling is not an important factor in marketing canned fruits and vegetables. Book selling, or catalogue selling as it is generally called in Eastern markets, is used, particularly by one large independent wholesaler serving approximately 1,400 retail stores.

Boston. This market was rated by brokers as predominantly a buyers' label market for canned fruits and vegetables. The consensus was that considerably more than half of the canned fruit and vegetable sales are made under buyers' labels. This market is regarded as quality-conscious with price a less important factor than in some other large markets. A major factor in this market is the volume of the corporate chains, one of which is particularly aggressive in promoting sales under its own label. Brokers commented that private-label sales are increasing and indicated that many of these are receiving extensive promotion, perhaps even more than some of the nationally advertised brands.

Chicago. Rated by brokers as a market in which processors' nationally advertised brands are the dominant factor, Chicago is considered a highly competitive market and price is regarded as the important item in marketing. Brokers indicated that private-label sales have been decreasing in this market. It was estimated that 25 percent of the retailers in this market are doing 75 percent of the grocery business.

Cincinnati. It appears that there is a preponderance of private label buying in this market. Out of 17 wholesalers, 8 are private-label buyers and represent about 75 percent of the wholesale business. In the chain field, consisting of 4 important groups, 2 sell largely under their own private labels and 2 under processors' labels, with the total volume about evenly divided between them.

Cleveland. Chain stores are rated as the most important type of outlet in Cleveland and some brokers credited them with making well in the neighborhood of 70 percent of the total retail food sales. Processors' labels are featured by the dominant regional chain, but private labels are featured by three other large chains. These latter three carry nationally advertised labels, but actively promote their own brands. The two largest wholesalers in this market are very strong private-label houses. One of these, which operates on the book method, promotes its own brand even though this house carries nationally advertised brands. The third largest wholesaler, also using the book method, does promote

processors' labels.

Dallas. This market is one in which nationally advertised brands dominate in the sale of canned fruits and vegetables. It was estimated that almost 80 percent of the total retail food sales are made by chain stores. A large well-established wholesale grocer represented the one important private-label house in this market. Dallas was regarded by the brokers as quite different from some of the highly competitive markets like Chicago, Detroit, and Los Angeles, in that such intensive competition price-wise has not occurred in this market and the price levels for processed foods are generally higher.

Detroit. Rated by brokers as a very weak private-label market, Detroit had only two important wholesalers pushing their own labels. It is considered as one of the most important markets in the number of super markets that have developed. The volume of self-service sales made through these super markets accounts in a large way for the dominance of nationally advertised brands. Detroit was also rated as one of the "toughest" markets in the United States in regard to price competition.

Kansas City. This is regarded as a strong market for nationally advertised brands. Brokers estimated that probably as much as 60 percent of the total food sales are made through chain-store outlets in this market. They indicated that a very large proportion of all business in Kansas City is derived from the surrounding rural area. This was stated as representing more than 60 percent of the total volume with urban consumers accounting for less than 40 percent of all sales. Brokers emphasized the amount of specialty work done at point of sale in this market, which seems to be a long-established practice.

Los Angeles. Sales of nationally advertised brands are the dominant factor in this market, according to the brokers interviewed. In general, strong promotion and advertising are regarded as prerequisites to shelf-stocking of any food lines in this market. The streamlining of wholesale operations in this market, where a strenuous effort is being made to reduce wholesale operating margins, has largely resulted in shifting promotional expense to the supplier. Practically every type of grocery store has been converted to a self-service basis.

Brokers estimated that the independent retail stores accounted for almost 60 percent of the total retail sales of canned fruits and vegetables. The cooperative wholesaling and book-selling organizations with which these independent retail stores are so extensively affiliated in the Los Angeles market have already been discussed in some detail on pp. 14-18. An estimated 10,000 distribution outlets, with about 20 percent of them doing almost 80 percent of the total canned fruit and vegetable business, operate in this market.

Minneapolis-St. Paul. At one time this market was rated as a very strong private-label market, but following World War II a marked swing to nationally advertised brands occurred. Although not as large as formerly, a



considerable volume is still sold under private labels. This market is the buying center for some very large wholesale distributors. Two of the larger wholesalers have distribution territories which, in addition to Minnesota, include North and South Dakota, and Iowa.

New York City. This market was described by brokers as being predominantly a private-label market. Most of the large wholesalers were said to be selling under their own labels and were aggressively promoting these brands. Brokers estimated that considerably more than half the sales of canned fruits and vegetables in this market are made under private labels. Most of the leading wholesalers in this market employ grocery salesmen and the consensus of the brokers interviewed was that these large wholesalers could not maintain the volume of business they do without such salesmen. Chain stores were credited by brokers with about 50 percent of the total volume of sales in this market. It was estimated by brokers that there are approximately 20,000 retail food stores in the New York market, classified about as follows: 2,000 corporate chain stores, 2,000 leading independent retail stores, 2,200 stores affiliated with the leading cooperative buying organizations, and 10,000 of the smaller family-owned independents, referred to by brokers as the "Mom and Pop" type of store. The New York City market has represented an important market for fruits and vegetables processed by cooperatives selling largely under buyers' labels. In some of the markets where nationally advertised brands are the dominant factor, cooperative canners have been in a less favorable position.

Philadelphia. This market is regarded by brokers as a very strong private-label market for processed foods and every large distributor from the corporate chains down the line, with one exception, is interested in promoting his own private label. The one exception is a very large and progressive super market operation which features nationally advertised brands. They likewise have their own private brand, but the advertised brands come first. A big percentage of business in this market is controlled by the corporate chains, the super markets, and the cooperative wholesalers. Brokers estimated that chains did between 50 and 60 percent of the total grocery business. The old-line wholesale grocer here has found it necessary to revamp his style of doing business in order to meet this competition and book selling is outstanding in this market.

Pittsburgh. This market is rated as one in which nationally advertised brands appeared to have the lead over private labels. It is, however, considered an important outlet for private labels to the wholesale trade, but particularly to the institutional trade. Quality is the important factor in these sales to the institutional trade. Cooperative processors are regarded as being in a favorable position to supply both types of trade under private labels.

Portland (Ore.) Private labels were rated as being in a strong position in this market. However, many brokers indicated that this strong private-label market did not apply to all items in the canned-foods line. Some brokers indicated that the position of private labels was beginning to weaken.



Richmond (Va.) This is another important market for nationally advertised brands and it was estimated by brokers that at least 70 percent of the canned fruits and vegetables are sold under nationally advertised brands. The chains accounted for an estimated 60 percent of the total business. Next in importance to corporate chains, cooperative wholesale organizations are important outlets in distributing canned fruits and vegetables. These organizations, for the most part, are interested in promoted brands. Independent wholesalers do some promotion of private labels but most of their sales are to "country" wholesalers servicing rural areas in Virginia. Institutional buyers are also regarded as important in this market.

San Francisco. This was rated as a very strong private-label market, especially for canned fruits and vegetables. The leading wholesale grocers promote their own labels so aggressively that the results are as effective as those for nationally advertised brands in this market. San Francisco is considered a particularly good market for the institutional trade because of the large number of restaurants and eating places.

St. Louis. This is considered a private-label market by brokers. It was described as a conservative market and one in which buyers are loyal to their customary sources of supply. The volume of food sales is largely split between that of corporate chains and that done by cooperative wholesale affiliates and independent super markets. Wholesale grocers were reported by brokers as having been rather aggressive in meeting the competition of the large chain stores.

Washington, (D. C.) This was rated by brokers as a "brand-conscious" market in which approximately 70 percent of the sales of canned fruits and vegetables are made under nationally advertised brands. Brokers estimated that chain stores are the dominant factor in food sales accounting for about 70 percent of the total grocery volume. Cooperative wholesaling operations are important in distributing canned fruits and vegetables. Washington is generally regarded by brokers as perhaps the leading institutional market in the country on a per capita basis. This is due not only to the large percentage of transient population eating in hotels and restaurants, but also to the fact that large segments of the relatively permanent population, including Government workers, patronize restaurants and other eating places more or less regularly. Baltimore wholesalers were reported doing a sizable business in the Washington market. In some instances the same broker represents the cooperative principal in both markets. This market differs from many of the other markets studied in that most of the merchandise brought into the market is sold here. A number of the other markets are regarded as primary in character with a considerable volume being moved out to secondary markets for sale to ultimate consumers.

## Distribution Channels

### Channels Employed by Cooperative Fruit and Vegetable Processors

The sales records furnished by the cooperatives participating in the study were analyzed with respect to the channels of distribution they employed in 1948-49 in marketing canned fruits and vegetables. The results of this analysis are shown in tables 7 and 8.

The percentage of sales made through brokers, direct, and through other channels, according to types of buyers, by cooperatives marketing canned noncitrus fruits and vegetables and those marketing canned citrus juices and segments is shown in table 7 and chart 4. Slightly more than 92 percent of the sales made by noncitrus fruit and vegetable associations to wholesale grocers and to independent retailers were made through brokers. Of the sales these associations made to chain stores and super markets, 42 percent were made direct. More than 72 percent of the total sales of noncitrus fruits and vegetables made to all types of buyers were made through brokers.

Citrus associations made a smaller percentage of their sales direct to chains and super markets. Thirty-one percent of their sales of canned citrus juices and segments to chains and super markets were made direct compared with 42 percent of the sales made by noncitrus fruit and vegetable associations. Slightly over 59 percent of the sales made to all types of buyers by the citrus associations were made through brokers.

Of the total sales made by all associations included in the study, two-thirds were made through brokers in the 1948-49 season.

The percentage of sales made by the individual associations through each channel is shown in table 8. One association made all of its sales direct and another association made more than 90 percent of its sales direct. On the other hand, an association marketing noncitrus fruits sold its entire volume through brokers and made no direct sales in 1948-49. Four other associations sold 95 percent or more of their total volume through brokers in 1948-49.

Table 7. - Distribution channels employed by cooperatives in marketing canned fruits and vegetables, 1948-49

Type of buyer	Percentage of sales made through specified channels by -									
	Associations marketing canned noncitrus fruits and vegetables			Associations marketing canned citrus juices and sections			All associations			
	Brokers	Direct	Other 1/	Total	Brokers	Direct	Other 1/	Total	Percent	Total
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Wholesale grocers.....	92.7	7.2	0.1	100.0	96.4	1.4	2.2	100.0	95.9	5.3
Chains and super markets.....	57.8	42.0	0.2	100.0	68.5	31.3	0.2	100.0	62.2	37.6
Independent retailers.....	92.1	6.9	1.0	100.0	100.0	2/	-	100.0	95.4	4.0
Other 3/.....	29.9	68.2	1.9	100.0	17.7	82.5	-	100.0	22.0	77.2
Unspecified.....	49.9	49.6	0.5	100.0	92.1	0.9	7.0	100.0	69.8	26.6
Total - all buyers.....	72.4	27.2	0.4	100.0	59.4	39.6	1.0	100.0	66.7	32.6
									0.7	100.0

1/ Sales made through special sales outlets, through other wholesalers, etc.

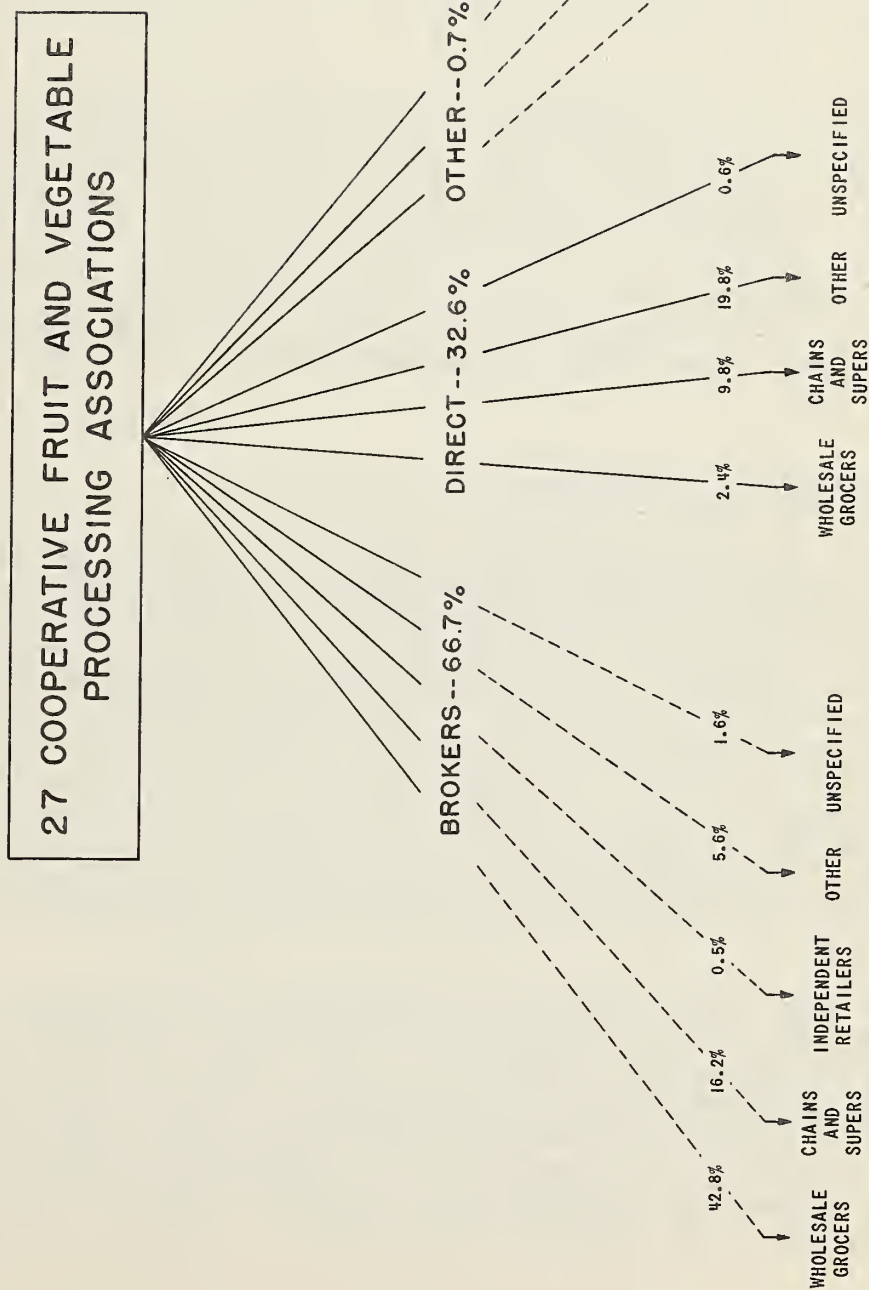
2/ Less than .05 percent.

3/ Includes sales to Government, processors, institutions, and to consumers and other purchasers not separately classified.



FIGURE 4

# DISTRIBUTION CHANNELS EMPLOYED BY COOPERATIVES IN MARKETING CANNED FRUITS AND VEGETABLES 1948-49



Based on number of dozen sold

Table 8. - Percentage of sales of canned fruits and vegetables made through specified distribution channels, 1948-49.

Percentage sold	Number of associations selling specified percentage through --		
	Brokers	Direct	Other <u>1/</u>
None.....	1	1	22
0.1 - 10.0.....	1	5	5
10.1 - 20.0.....	-	4	-
20.1 - 30.0.....	-	5	-
30.1 - 40.0.....	1	3	-
40.1 - 50.0.....	3	3	-
50.1 - 60.0.....	3	3	-
60.1 - 70.0.....	3	1	-
70.1 - 80.0.....	5	-	-
80.1 - 90.0.....	5	-	-
90.1 - 100.0.....	5	2	-
Total.....	27	27	27

1/ Sales made through special sales outlets, through other wholesalers, etc.

### Functions of Food Brokers

The role of the food broker in marketing canned fruits and vegetables processed by cooperative associations is an important one. He serves as the seller's agent in the market and it is his function to find outlets for the producers' products. For this function he receives brokerage, which is a specified percentage paid on the volume of products he sells. The brokerage paid by these cooperatives in 1948-49 averaged around 3 percent, although some cooperatives were paying 2 percent and a few were paying more than the average 3 percent. The broker generally desires to represent as many noncompetitive products of known quality or reputation as he can efficiently handle. Since his costs are spread over a varied line, the representation is accomplished at a minimum rate to the principals. The fixed brokerage rate permits the principal to know his selling cost before the transaction is completed.

Although food brokers deal principally with the wholesale buyers (wholesale grocers, chains, etc.) they can, however, give merchandising assistance at the retail level. Field staffs are maintained to aid in introducing new products and to engage in "missionary" work at the retail level. Brokers' specialty men may participate in distributing advertising material, direct sampling and specialty sales work, and in arranging for cooperative advertising with dealers. They frequently check on retail stocks and displays of the items they handle. They may even check

on the prices at which the products are being retailed. One broker, for example, cited the case of a retailer who was in serious error on his retail price because he had mistaken the size. Unless quickly corrected, this could have operated to the disadvantage of the cooperative principal.

In those markets where wholesaling operations have been extensively streamlined in order to reduce the wholesaler's operating costs, it has become necessary for the broker to assume many of the functions which formerly were performed by the salesmen of the wholesale grocers. This is particularly true of the promotional work at the retail level which the broker is required to do. Some of these added functions have already been referred to in the discussion of developments in the various markets, pp. 12-24.

The broker is a specialist in dealing with the wholesale and retail trade in his market and serves as his principal's "eyes and ears" in observing marketing trends and changes in his area. One broker, when queried on his method of keeping informed on market conditions, stated that he obtained his information "from those he sold to, for, and against." In general, the brokers interviewed in this study were well informed and conversant with the developments and trends in their markets. They were regarded as being in a strategic position to appraise the competitive position of the cooperative principals they represented.

#### Broker-Principal Contacts

Brokers interviewed in this study were questioned regarding the adequacy and types of contacts they had with their cooperative principals. Four-fifths of the brokers indicated that they regarded their contacts with their cooperative principals as adequate. Among the more important reasons given by 20 percent of the brokers for unfavorable broker-principal relationships was the failure of the principal to visit the market and see the buyers often enough. This was by far the most frequent criticism made of cooperative principals. Greatest dissatisfaction regarding failure to visit the market was expressed by Chicago brokers.

Other comments reflected unfavorably on the business methods of some cooperative principals, with brokers indicating that the sales manager is "slow in answering correspondence," "slow in confirming orders," or, that "no one is appointed to act in the sales manager's place when he is absent from the office."

With respect to the matter of confirming sales orders promptly, the use of a brief acknowledgment post card by some cooperative principals was highly commended. A card similar to the one shown on page 30 frequently eliminates the necessity for a letter and encourages prompt acknowledgments to brokers. The card can be printed with variations to suit the needs of the individual association.



---

(Name of cooperative association)

Date \_\_\_\_\_ 19\_\_\_\_

To: \_\_\_\_\_ (Name of broker)

\_\_\_\_\_  
(Address)

This acknowledges your Sales Orders

Nos. \_\_\_\_\_

\_\_\_\_\_  
(Method and date of shipment, etc.)

Thank you,

(Name of cooperative association)

By \_\_\_\_\_

---

In some instances brokers indicated that they had not been kept well posted by their principals. Many brokers said they could never receive too much posting from their principals. It was evident, too, that they appreciate originality or variety of presentation in the circulars and notices they receive from the principals. They indicated that even a little variety, such as a change of color in circulars, so that they attract their attention, would be appreciated. Some replies indicated that even though brokers were not actively selling in a market, they should be kept posted by their principals. Frequently the broker indicated that he had never been informed regarding the principal's over-all marketing program, which put him in a less favorable position in representing the association than if he were well informed regarding the sales policies of the cooperative.

#### Methods of Communication

Brokers also were asked to indicate the methods of communication employed in contacting their cooperative principals. The principal methods used by brokers in contacting the cooperative processors they represented are shown in table 9. Almost a third of the replies indicated that a combination of methods, which included telephone, wire, letter, and personal contacts, was used.

The brokers indicated that the method of communication used was largely dependent on the urgency of the situation and they would use any type of communication which would bring orders that justified the expense. Most brokers preferred to use the telephone. This method permitted prompt

Table 9. - Methods employed by brokers in contacting cooperative principals, 1950

Method of communication	Percentage of brokers employing method specified --
Letter.....	7.0
Wire.....	7.7
Telephone.....	5.1
Letter-wire.....	1.3
Letter-personal visit.....	2.6
Telephone-wire.....	3.2
Telephone-letter.....	3.2
Telephone-letter-wire.....	18.6
Telephone-personal visit.....	8.3
Telephone-personal visit-letter.....	6.4
Telephone-personal visit-wire.....	10.3
Telephone-personal visit-wire-letter....	26.3
" Total.....	100.0

verbal confirmation of the sale by the cooperative principal, which could be followed by more formal confirmation later. The use of teletype appears to be increasing.

#### Number of Years Brokers Represented Cooperative Principals

Brokers were asked to indicate the number of years they had represented their cooperative principals. The number of brokers representing cooperative principals for specified years is shown in table 10 for each market included in the survey.

In seven instances the broker had represented the cooperative principal for a period of more than 25 years. Approximately 45 percent of the replies indicated that the broker had represented the cooperative principal 5 years or less and another 24 percent indicated a period of 6 to 10 years.

#### Buyers of Canned Fruits and Vegetables Processed by Cooperatives

The sales records of the cooperative processors participating in this study were analyzed with respect to the principal types of buyers to whom these associations sold their products in 1948-49. An analysis also was made of the volume purchased by each customer in that season.

Table 10. - Number of years broker represented cooperative principal in market, 1950

Market	Number of cooperative accounts represented for period specified --						Total number of cooperative accounts
	5 years or less	6-10 years	11-15 years	16-20 years	21-25 years	Over 25 years	
Atlanta.....	3	4	-	-	-	1	8
Baltimore <u>1/</u> .....	8	2	1	1	-	-	12
Boston.....	6	1	6	-	1	-	14
Chicago.....	7	3	-	4	1	1	16
Cincinnati.....	2	2	1	1	-	-	6
Cleveland.....	2	2	2	1	1	-	8
Dallas.....	9	4	1	-	-	-	14
Detroit.....	3	1	3	1	1	1	10
Kansas City.....	6	5	2	-	1	1	15
Los Angeles.....	5	3	3	1	1	-	13
Minneapolis-St. Paul.	3	5	-	-	2	-	10
New York City.....	7	1	3	2	1	1	15
Philadelphia.....	9	1	4	2	-	-	16
Pittsburgh.....	2	4	-	1	-	-	7
Portland (Ore.).....	5	3	-	-	-	-	8
Richmond (Va.).....	4	3	-	-	-	-	7
San Francisco.....	7	3	2	-	1	-	13
St. Louis.....	7	3	5	-	-	-	15
Washington (D. C.) <u>1/</u>	2	2	3	-	-	2	9
Total.....	97	52	36	14	10	7	216

1/ Brokers representing the same cooperative principals in Baltimore and Washington are included for Baltimore only.



## Types of Buyers

Table 11 shows the percentages of the three major commodity groups which were sold to each type of buyer in 1948-49. Wholesale grocers purchased more than half the noncitrus fruits and the vegetables, but only slightly over a third of the citrus juices and segments. Chain stores and super markets purchased approximately a fourth of the citrus juices and segments and the noncitrus fruits, and more than a third of the vegetables. The high percentage of citrus juices and segments purchased by other buyers, which included Government, processors, institutions, consumers, and all other buyers not separately classified, is accounted for by the large volume sold to other processors. One of the five citrus associations included in the study was selling a large part of its volume to another large food processor.

## Volume Purchased by Individual Buyers

Some associations preferred not to supply the names of their customers, although they were willing to supply their types and locations. The sales data of the cooperatives supplying the names of their customers were analyzed with respect to the volume purchased by each customer during the 1948-49 season. All but two of these associations sold from 40 to 60 percent of their total volume to less than 10 percent of the total number of customers buying from them in 1948-49.

Table 11. - Percentage of canned fruits and vegetables sold by 27 cooperatives to each type of buyer, 1948-49

Type of buyer	Percentage sold to type of buyer specified of --		
	Canned citrus juices and segments	Canned noncitrus fruits <u>1/</u>	Canned vegetables
Wholesale grocers.....	34.3	51.8	57.8
Chain stores and super markets..	24.5	24.8	35.6
Independent retailers.....	0.5	0.3	0.2
Other <u>2/</u> .....	38.2	21.0	5.8
Unspecified.....	2.5	2.1	0.6
Total.....	100.0	100.0	100.0

1/ Includes noncitrus fruit juices.

2/ Includes sales to Government, processors, institutions, and to consumers and other purchasers not separately classified.

### Potential Buyers Under Sales Program

In the broker survey, brokers were questioned regarding the types of buyers in their markets to whom they thought cooperative processors should direct their promotional efforts. Table 12 shows the number of brokers indicating specified types of sales outlets where they preferred to see promotional work done in their markets by their cooperative principals.

Chain stores as a single group were regarded as the most important outlet for future promotional work. The combination of chain stores and wholesale grocers ranked third in the number of responses. Institutional buyers as a single factor were regarded as particularly important in Chicago and Pittsburgh and somewhat less so in Atlanta, Los Angeles, Philadelphia, and San Francisco.

### Transportation

The sales records of the associations cooperating in the study were analyzed with respect to the principal methods of transportation employed by these associations in moving their canned fruits and vegetables to market in the 1948-49 season.

### Principal Methods of Transportation Used

An analysis of the transportation methods used is shown in tables 13 and 14. In table 13 the data are broken down to show principal methods used by the citrus associations and by all other associations. More than 60 percent of the products sold by both groups of cooperatives were transported by rail. Slightly over 20 percent of the canned citrus juices and segments and approximately 14 percent of the noncitrus fruits and vegetables processed by these cooperatives arrived at primary markets by water.

The percentage of products marketed, shipped by the three principal methods of transportation, is shown for the individual associations in table 14. Only one association processing vegetables made no shipments by rail, moving all of its products by motortruck to nearby markets on the Eastern Seaboard. Two other associations shipped 90 percent or more of their volume by motortruck. One of these was selling a major portion of its volume to large chain-store buyers in nearby markets. On the other hand, two associations shipped between 80 and 90 percent of the products it sold by rail and 10 others shipped 60 percent or more by rail.

Water transportation when available and when transit time was not an important factor, was generally used because of the lower rates. In many shipments all three methods of transportation were used. Shipments from the West Coast to interior markets on the East Coast frequently moved by rail or truck to port, then by water to the Eastern Seaboard, completing the trip by truck or rail to the interior market. In the





Table 13. - Methods of transportation employed by cooperatives in marketing  
canned fruits and vegetables, 1948-49

Method of transportation employed and type of buyer	Percentage of shipments via specified method made by -		
	Noncitrus fruit and vegetable associations	Citrus associations	All associations
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
<b>Rail:</b>			
Wholesale grocers.....	35.9	25.3	31.3
Chain stores and super markets...	17.6	13.0	15.6
Independent retailers.....	0.3	0.4	0.3
Other 2/.....	8.9	22.1	14.6
Unspecified.....	1.4	1.7	1.6
Total.....	64.1	62.5	63.4
<b>Water: 1/</b>			
Wholesale grocers.....	6.3	4.4	5.5
Chain stores and super markets...	4.0	10.1	6.6
Independent retailers.....	0.1	0.1	0.1
Other 2/.....	2.8	5.7	4.1
Unspecified.....	0.3	0.4	0.3
Total.....	13.5	20.7	16.6
<b>Truck: 3/</b>			
Wholesale grocers.....	12.7	5.1	9.4
Chain stores and super markets...	6.0	0.9	3.8
Independent retailers.....	0.2	4/	0.1
Other 2/.....	3.1	9.7	6.0
Unspecified.....	0.4	0.3	0.3
Total.....	22.4	16.0	19.6
<b>Picked up at plant: 5/</b>			
Wholesale grocers.....	4/	4/	4/
Chain stores and super markets...	4/	4/	4/
Independent retailers.....	4/	4/	4/
Other 2/.....	4/	0.6	0.3
Unspecified.....	4/	4/	4/
Total.....	4/	0.6	0.3
<b>Truck and rail: 6/</b>			
Wholesale grocers.....	4/	4/	4/
Chain stores and super markets...	4/	4/	4/
Independent retailers.....	-	-	-
Other 2/.....	-	0.2	0.1
Unspecified.....	-	4/	4/
Total.....	4/	0.2	0.1
<b>Grand total.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1/ Includes shipments for which truck or rail transportation was used in hauling commodities to or from port of origin or arrival, but major portion of routing was via water.

2/ Includes sales to Government, processors, institutions, retail buyers, and to consumers and other purchasers not otherwise classified.

3/ Includes buyers' trucks.

4/ Less than .05 percent.

5/ Picked up at plant by privately owned vehicle.

6/ Both truck and rail were used for substantial portions of the shipment.

Table 14. - Percentage of shipments of canned fruits and vegetables made by rail, water, and motortruck, 1948-49

Percentage shipped	Number of associations shipping indicated percentages by -		
	Rail	Water <u>1/</u>	Motortruck
None.....	1	9	-
0.1 - 10.0.....	2	8	5
10.1 - 20.0.....	-	4	5
20.1 - 30.0.....	1	3	7
30.1 - 40.0.....	1	3	2
40.1 - 50.0.....	2	-	4
50.1 - 60.0.....	8	-	-
60.1 - 70.0.....	4	-	-
70.1 - 80.0.....	6	-	1
80.1 - 90.0.....	2	-	-
90.1 - 100.0.....	-	-	3
Total associations.....	27	27	27

1/ Includes shipments in which rail or truck transported commodities to or from ports of origin and arrival but major portion of routing was by water.

analysis of the sales records, shipments were classified on the basis of the carrier which was most important in the length of haul.

Rail shipments by most associations move in carloads at carload rates. However, a few of the associations reported less-than-carload shipments. A small percentage of shipments moved by railway express.

#### Use of Pool Cars and Pool Trucks

The sales records indicated that many of these associations were making shipments in pool cars, thereby benefiting by the lower freight rate on carload shipments by pool car. A pool car is a carload of a number of small lots shipped to several consignees. Pool-car shipments are routed to central points for subsequent distribution to buyers. One important function of the broker is to arrange for pool-car shipments. Generally he sees that deliveries from pool cars are made to the respective buyers and that each buyer is billed for his proportional share of the freight charge on the car if the freight is not prepaid. The size of the market and the individual orders received from the market largely determine the extent to which pool cars are used. In some of the smaller markets where pool-car shipments cannot be readily handled, it is necessary to resort to less-than-carload shipments when small lots are shipped by rail.

The seasonal aspect is an important factor in arranging for pool-car shipments. At the peak of the processing season, the volume of sales is generally sufficient to make up carload shipments. However, as the season progresses and the volume of sales to individual buyers or offerings of commodity lots decrease, pool-car operations become particularly advantageous.

A number of associations reported shipments made by pool truck. This method is similar to the pool-car arrangement in that the truck load is comprised of small lots which are subsequently distributed to buyers and each buyer bears his proportional share of the trucking costs.

Included under truck shipments in table 13 are shipments moving in buyers' trucks. A number of the associations reported substantial volumes transported in buyers' trucks. When buyers are located within trucking distance of canneries, the buyers frequently arrange to pick up the order at the cannery. Under such an arrangement, savings are effected in transportation costs and time. Inasmuch as most associations were quoting prices f.o.b. their warehouses, such arrangements entailed no price concessions. The only exception would be in the case of delivered prices, where a price concession would be made on the basis of commercial transportation charges.

A few associations showed some very small orders "picked up at plant," with no indication of the type of transportation employed. It was assumed that a privately-owned vehicle was used -- truck, station wagon, or automobile. These shipments are shown separately in table 13 under the heading "Picked up at plant."

#### Commodity Grades

In processing canned fruits and vegetables, two inspections are generally required. The raw products are inspected first and the canned products second. Some associations employ their own inspectors to see that all raw materials used meet the standards set by the association. Others use Federal, State, or Federal-State inspectors. It is necessary to inspect the raw materials in order to obtain uniformity of operations and to provide a standardized product of known quality.

After processing, many associations depend upon their own inspectors to maintain controls over the quality of the pack. In order to check on their own inspection operations and laboratory controls, samples may be submitted at intervals to Federal inspectors. Many of the cooperative processors use Federal standards in determining quality grade while others have developed their own quality standards. Others use various combinations of Federal, State, and other standards.

Quality standards were established by the United States Department of Agriculture largely as a result of demands of canners, bankers, and dealers in canned foods, and insistence by consumer groups. Although the canning industry has used grades in wholesaling operations for many years, for the most part these grades have not carried through to the



consumer. Grade labeling is now used by some large chains and important wholesalers selling under private labels, as well as by consumer cooperative associations on their own brands.

The quality grades for canned fruits and vegetables established by the United States Department of Agriculture are identified by simple letter designations and their corresponding trade descriptions, such as Grade A (Fancy), Grade B (Extra Standard or Choice), Grade C (Standard), and Grade D (Substandard). Canners may grade their own products in conformity with the standards set up by the United States Department of Agriculture. If the United States Department of Agriculture terms (Grade A or Fancy, Grade B or Choice or Extra Standard, Grade C or Standard) are used on the labels to indicate the grades of the products being sold, the products must conform to the standards established by the United States Department of Agriculture; otherwise penalties could be incurred for misbranding under the Federal Food, Drug, and Cosmetic Act.

#### United States Department of Agriculture Continuous Inspection

Six of the cooperative associations included in the study were operating under United States Department of Agriculture continuous inspection. This type of inspection was first introduced as an experiment in 1939 in a cooperative canning plant. Under continuous inspection service, a Federal inspector of the United States Department of Agriculture is stationed continuously at the processing plant while products are prepared, processed, and packaged. Inspectors observe the product from its raw state through each step in receiving, preparing, processing, and packing, and inspect the finished product for quality and condition. This type of inspection has grown in popularity with packers, distributors, and consumers. The service is granted upon request of the packer. The plant, its surroundings, and operating conditions are first inspected for suitability in accordance with requirements relating to housekeeping and sanitation. The processor agrees in his contract to reimburse the Department for the cost of the service. The inspector certifies the quality packed in accordance with the grade standards established by the United States Department of Agriculture.

#### Sales of Cooperative Processors Analyzed by Commodity Grade

All sales made in 1948-49 by the associations participating in the study were analyzed with respect to the grades under which they were sold (table 15). One citrus association selling a large portion of its volume to another processor is not included in this table and one noncitrus association did not supply grade information. Practically all the sales of citrus juices made by these associations were sold under Fancy grade. Three of the citrus associations in this study were operating under United States Department of Agriculture continuous inspection. Almost two-thirds of the vegetables and slightly over 30 percent of the noncitrus fruits were marketed as Fancy grade.

Table 15. - Percentage of sales made by 25 cooperatives to each type of buyer by commodity grade, 1948-49

Commodity grade and type of buyer	Percentage sold under specified grade of -		
	Citrus juices	Noncitrus fruits	Vegetables
	Percent	Percent	Percent
<u>Fancy:</u>			
Wholesale grocers.....	44.4	13.3	35.4
Chain stores and super markets.....	25.0	7.6	27.1
Independent retailers.....	0.6	0.1	2/
Other 1/.....	26.6	8.3	2.9
Unspecified.....	3.2	1.2	0.4
Total.....	99.8	30.5	65.8
<u>Choice or extra standard;</u>			
Wholesale grocers.....	-	30.6	5.8
Chain stores and super markets.....	-	8.9	2.4
Independent retailers.....	-	2/	0.2
Other 1/.....	-	8.8	2.8
Unspecified.....	-	0.7	0.1
Total.....	-	49.0	11.3
<u>Standard;</u>			
Wholesale grocers.....	0.2	8.0	16.3
Chain stores and super markets.....	2/	7.3	6.1
Independent retailers.....	-	0.2	2/
Other 1/.....	2/	0.8	0.1
Unspecified.....	-	0.2	0.1
Total.....	0.2	16.5	22.6
<u>Other 3/:</u>			
Wholesale grocers.....	-	0.5	0.3
Chain stores and super markets.....	-	0.3	-
Independent retailers.....	-	-	-
Other 1/.....	-	3.2	-
Unspecified.....	-	2/	-
Total.....	-	4.0	0.3
Total - all grades.....	100.0	100.0	100.0

1/ Includes sales to Government, processors, institutions, and to consumers and other purchasers not separately classified.

2/ Less than .05 percent.

3/ Includes seconds, water grade, substandard, and unspecified.



The percentages of noncitrus fruits sold under Fancy grade by the individual associations varied all the way from more than 90 percent for three associations to less than 3 percent for another and less than 6 percent for one other (table 16). Two other associations sold more than 80 percent under Fancy grade. The data on canned vegetables also show wide variations in the percentages sold by individual associations under each grade. Two associations sold more than 90 percent under Fancy grade. Five other cooperatives marketed more than 80 percent under Fancy grade.

#### Sales Policy with Respect to Commodity Grades

When the subject of commodity grades was discussed with the brokers, a number of them expressed the opinion that cooperatives could benefit by directing their operations, insofar as feasible, to the marketing of two commodity grades. It was their contention that the nationally advertised brands were being marketed largely under the Choice and Extra Standard grades. They believed, therefore, that cooperatives should endeavor to supply the quality market which demands Fancy grade and the balance of their production should be marketed on a price basis by supplying the trade with Standard grade. This policy was regarded as one which might be initiated by some cooperatives to their competitive advantage. It was recognized of course, that production factors would determine to what extent such a policy could be practiced.

In suggesting that cooperative processors supply the quality market purchasing Fancy grade, the brokers observed that cooperatives, in general, were in a position to maintain closer control of the producer and to secure his cooperation in following improved production and harvesting methods in order to provide a higher quality raw product.

Several brokers interviewed indicated it was their opinion that stricter grade standards for citrus juices would be to the advantage of their principals. They contended that inasmuch as a major portion of the citrus juice pack was able to meet the minimum requirements for Fancy Grade, the marketing of citrus juices had become largely a matter of price rather than quality. The Department of Agriculture keeps the standards revised in line with good commercial practice. In this specific connection, the Department's standards issued prior to the 1949-50 season, subsequent to the period covered by this report, did include more limited requirements in order to produce higher minimums for Grade A or Fancy citrus juices, as well as adjustments to reflect better balanced juices as to tartness and sweetness.

#### Can Sizes

The 1948-49 sales of the cooperatives supplying data for the study were analyzed with respect to can sizes in which the principal fruits and vegetables were marketed in 1948-49.



Table 16. - Percentage of canned citrus juices, noncitrus fruits,  
and vegetables marketed under each grade, 1948-49

Percentage marketed	Number of associations marketing specified percentage under grade indicated									
	Citrus juices			Noncitrus fruits			Vegetables			Other <sup>2/</sup>
	Fancy	Standard	Fancy	Choice	Standard	Other <sup>1/</sup>	Fancy	Extra Standard	Standard	
None.....	-	-	-	4	4	6	-	3	2	11
0.1 - 10.0 .....	-	4	2	2	5	7	1	4	6	1
10.1 - 20.0 .....	-	-	2	1	3	3	1	1	1	-
20.1 - 30.0 .....	-	-	3	-	3	-	1	3	-	-
30.1 - 40.0 .....	-	-	2	-	-	-	-	-	-	-
40.1 - 50.0 .....	-	-	1	4	-	-	1	-	1	-
50.1 - 60.0 .....	-	-	-	2	-	-	1	-	1	1
60.1 - 70.0 .....	-	-	-	2	-	-	1	-	2	-
70.1 - 80.0 .....	-	-	1	1	-	-	-	-	-	-
80.1 - 90.0 .....	-	-	2	-	-	-	3	-	-	-
90.1 - 100.0 .....	4	-	3	-	1	-	2	-	-	-
Total associations <sup>3/</sup>	4	4	16	16	16	16	13	13	13	13

<sup>1/</sup> Includes seconds and water grade.

<sup>2/</sup> Includes unspecified and substandard.

<sup>3/</sup> One citrus and one noncitrus association not included.

### Can Sizes in Which Cooperatives Marketed 1948-49 Volume

Table 17 shows the percentages of canned citrus juices and segments sold in each can size in 1948-49. The big seller in citrus juices was the 46-ounce size, accounting for more than half the sales. The No. 2 can ranked second with 45 percent of the total. By far the largest volume of citrus segments was sold in the No. 2 can which accounted for more than 90 percent of the total. However, the trend to smaller can sizes is reflected in the sales of 8-Z size (approximately 8 ounces) for three of these commodities. Sixteen percent of the orange sections (natural), 13 percent of the grapefruit segments (sugar added), and 7 percent of the grapefruit-orange segments (natural) were sold in the small 8-ounce size.

The can sizes in which noncitrus fruits were marketed are shown in table 18. For noncitrus tree fruits the No. 2½ can was the most important container accounting for 47 percent of the total. For berries, the smaller No. 2 can was the major factor, accounting for approximately two-thirds of all sales of canned berries made by these associations in 1948-49.

The trend in urban markets to smaller can sizes is again apparent in the quantities of noncitrus fruits sold in the 8-Z size. This size was particularly important for sweet cherries, fruit cocktail, and fruit salad. It also accounted for approximately a third or more of the sales of all berries, with the exception of raspberries.

The No. 2 size was still the major can size on the basis of all canned vegetable sales made by these cooperatives in 1948-49 (table 19). On an individual commodity basis, the No. 2½ can was an important size for pumpkin and tomatoes and, to a lesser extent, for spinach. However, the new trend to the smaller No. 303 size was reflected to some extent in the sale of almost a fourth of the peas in this size. Also, about 7 percent of the sweet corn was sold in this smaller size. Beans, peas, and spinach all showed small percentages packed in the small 8-Z size.

### Trend to Smaller Can Sizes

It seems probable that the trend to smaller sizes marketed by these cooperative processors will be even more apparent in the 1949-50 sales when the analysis for that season is completed. In the majority of the markets in which brokers were interviewed they indicated that they considered the shift to smaller sizes one of the most significant developments in the particular market in which they were representing cooperative processors. The shift to the No. 303 size was first reflected in the increased sales of sweet corn and peas in this size. However, brokers in some markets indicated that other vegetables, such as beets and sauerkraut, were now being marketed in the No. 303 can size. One large chain is reported to be changing from the No. 2 size to the No. 303 for its purchases of 1951 green and wax beans, except for Standard grade which it will continue to buy in the No. 2 size. The reason given for this change is that processors in areas where Fancy and Extra Standard cut beans are canned have largely shifted to the No. 303 size. This policy applies to

Table 17. - Canned citrus juices and segments: Percentage marketed in each can size, 1948-49

Commodity	Percentage marketed in each can size -					
	No. 6 oz.	No. 8 Z	No. 2	No. 2 1/2	No. 46 oz.	No. 10
	Percent	Percent	Percent	Percent	Percent	Percent
Citrus juices:						
Grapefruit juice, S/A.....	4.6	1/	26.8	1/	68.5	0.1
Grapefruit juice, natural.....	0.3	-	50.4	-	49.3	-
Orange juice, S/A.....	9.7	-	39.4	-	50.9	-
Orange juice, natural.....	0.3	-	50.4	-	49.3	-
Orange and grapefruit blended juice, S/A.....	0.8	-	59.4	-	39.8	1/
Orange and grapefruit blended juice, natural.....	-	-	60.0	-	40.0	-
Tangerine juice, S/A.....	-	-	91.4	-	8.6	-
Tangerine juice, natural.....	-	-	100.0	-	-	-
Grapefruit and tangerine juice, S/A.....	-	-	80.9	-	19.1	-
Lime juice.....	100.0	-	-	-	-	-
Lemon juice, natural.....	97.5	-	0.9	-	1.6	-
Tangerine and orange juice, S/A.....	-	-	71.1	-	28.9	-
Tangerine and orange juice, natural.....	-	-	100.0	-	-	-
Total - all juices.....	3.5	1/	45.4	1/	51.1	1/
Citrus segments:						
Grapefruit segments, S/A.....	0.3	13.4	85.0	-	1.3	-
Grapefruit segments, natural.....	0.1	3.4	95.5	1/	1.0	-
Citrus salad, S/A.....	-	-	100.0	-	-	-
Citrus salad, natural.....	-	-	100.0	-	-	-
Orange sections, S/A.....	-	-	100.0	-	-	-
Orange sections, natural.....	-	15.5	84.5	-	-	-
Grapefruit and orange sections, natural.....	-	7.4	92.3	-	0.3	-
Total - all segments.....	0.1	7.4	91.5	1/	1.0	-

1/ Less than 0.5 percent.



Table 18. - Canned noncitrus fruits: Percentage marketed in each can size, 1948-49

Commodity	Percentage marketed in each can size -					
	No. 2	No. 2 1/2	No. 8Z	No. 1 tall	No. 10	Total
	Percent	Percent	Percent	Percent	Percent	Percent
<u>Deciduous fruits:</u>						
Apples.....	-	-	-	-	100.0	100.0
Applesauce.....	94.6	-	-	3.6	1.8	100.0
Apricots.....	0.9	47.2	20.7	25.6	5.6	100.0
Cherries, RSP.....	89.7	-	-	0.1	10.2	100.0
Cherries, sweet.....	5.3	29.2	47.1	14.8	3.6	100.0
Fruit cocktail.....	0.3	38.0	34.7	24.6	2.4	100.0
Fruit salad.....	-	20.2	37.9	40.4	1.5	100.0
Peaches.....	0.4	57.5	19.5	18.1	4.5	100.0
Pears.....	8.2	58.0	8.3	18.2	7.3	100.0
Plums and prunes.....	0.1	93.2	-	3.9	2.8	100.0
Total.....	15.1	47.2	15.8	15.9	6.0	100.0
<u>Berries:</u>						
Blackberries.....	51.8	4.2	37.8	1.1	5.1	100.0
Boysenberries.....	62.1	-	32.4	1.1	4.4	100.0
Loganberries.....	55.9	-	35.9	-	8.2	100.0
Raspberries.....	83.5	-	15.9	0.1	0.5	100.0
Strawberries.....	35.6	-	48.9	-	15.5	100.0
Youngberries.....	61.4	-	33.9	-	4.7	100.0
Total.....	65.5	1.3	28.8	0.6	3.8	100.0
Grand total.....	16.7	45.7	16.2	15.4	6.0	100.0

Table 19. - Canned vegetables: Percentage marketed in each can size, 1948-49

Commodity	Percentage marketed in each can size -							
	No. 2	No. 2 1/2	No. 1 (Picnic)	No. 303	No. 8Z	No. 12Z (Vacuum)	No. 10	Miscellaneous 1/
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Beans, green and wax .....	84.5	-	6.9	-	4.7	-	3.6	0.3
Sweet corn.....	82.5	-	7.6	6.9	-	1.3	1.7	-
Peas.....	48.1	-	19.9	24.4	4.9	-	2.2	0.5
Pumpkin.....	-	86.0	-	-	-	-	14.0	-
Spinach.....	40.4	30.1	25.3	-	2.0	-	2.2	-
Tomatoes.....	47.8	48.2	3.7	-	-	-	0.3	-
Total - all vegetables.....	68.1	7.3	10.7	7.6	2.8	0.4	2.9	0.2
								100.0

1/ Includes No. 211 cylinder and No. 3 cylinder.

the chains' own labels inasmuch as the No. 2 can will still be purchased under packers' labels where the demand exists.

It was indicated in some markets that the 6-Z (5 to 6 ounce) size, usually referred to as the 5-3/4-ounce individual can, was growing in popularity, particularly for citrus juices. This size has been used extensively heretofore for the lemon juice pack, but its use is now expanding to other single-strength citrus juices. The canned food pack statistics of the National Canners Association 7/ indicates that the volume of single strength orange juice in this size in 1948-49 was almost double that of 1947-48, increasing from 1.2 million cases to 2.1 million cases in 1948-49. The pack of single-strength grapefruit juice in this size also rose somewhat, increasing from 744 thousand to 899 thousand cases. Some brokers stated that single strength juices in the small 5-3/4-ounce can, which can be sold at retail for approximately 5 to 10 cents, compete favorably with soft drinks.

Several reasons are given for the increased sales of smaller sizes. One of these is that consumers want individual servings. This means more variety in meals, the opportunity to provide for special tastes of individual members of the family, and less food waste in those small households of one or two members. It has become a rather general practice to serve smaller portions of two or more vegetables, rather than large portions of a single vegetable. The number of family units has greatly increased since the war and, on the whole, families are smaller. As a result, smaller sized cans are more generally used than when many individuals lived in one household. Brokers indicated that the trend to smaller sizes was more important in urban areas than in those markets serving a larger percentage of rural consumers.

### Coding

One broker was critical of the coding method used by the processors he represented, including his cooperative principals. The use of a code system for marking each can or label to identify the commodity and to give its factory history is a general practice among canners. From the standpoint of the canner, the financing institution, and the distributor, such identification is desirable. Coding makes it possible to fix responsibility at various stages of the processing and marketing operation for failure of the can or its contents to fulfill the representations made.

Coding methods vary from very simple to detailed identification marks embossed on the cover, stamped on the can, or perforated on the label. Codes consist of various combinations of letters, figures, and symbols used to describe the contents of the can by commodity type, color, style, size, grade, and syrup. Codes are also used to give the can history by originating factory, source of raw product, can line, work shift, and date packed.

7/ "Canned Food Pack Statistics: 1949" National Canners Association.



It was indicated that a more detailed breakdown in the code makes sales easier for the broker. It was also suggested that codes be changed more frequently, such as at least twice a day, so that lots that do not meet specifications can be segregated more easily.

### Brand Policy

The 1948-49 sales of each association were analyzed with respect to the quantities sold under the association's can labels and under buyers' labels. This analysis was made for three major commodity groups: (1) Citrus juices and segments, (2) noncitrus fruits and juices, and (3) vegetables.

#### Canned Citrus Juices and Segments

Table 20 shows the percentages sold under processors' and buyers' labels for the four citrus associations which were selling to diversified types of buyers. <sup>8/</sup> Almost three-fourths of the total sales of citrus juices and segments made by these associations were under their own labels. Approximately 80 percent of the sales made to wholesale grocers were under the associations' own labels as compared with 63 percent of their sales to chain stores and super markets.

The percentages the individual associations sold under each type of label without respect to buyer classification are shown in table 21. This table indicates that two of the associations sold a considerably larger proportion under their own labels than did two others.

#### Canned Noncitrus Fruits and Juices

The percentages of noncitrus fruits and juices sold by 17 associations under their own labels amounted to about 32 percent of their total sales (table 22). This is a much smaller percentage than that sold by the citrus associations under their own labels.

In table 23, the percentage sold by the individual associations under processors' and buyers' labels is shown. It is apparent from this table that there was considerable difference between the individual associations with respect to the proportion of their respective volumes sold under the two types of labels. One association made all its sales under buyers' labels, while another sold more than 90 percent of its volume under this type of label. One association sold more than 90 percent under its own labels. Only 6 other associations made one-half or more of their sales under their own labels.

<sup>8/</sup> One association which was selling largely to one type of outlet is not included in this analysis.

Table 20. - Canned citrus juices and segments: Percentage of sales made by 4 cooperatives under processors' and buyers' labels to each type of buyer, 1948-49

Type of buyer	Percentage of sales made under --		
	Processors' labels	Buyers' labels	Total
	Percent	Percent	Percent
Wholesale grocers.....	80.2	19.8	100.0
Chain stores and super markets.....	63.5	36.5	100.0
Independent retailers.....	96.1	3.9	100.0
Other <u>1</u> /.....	73.0	27.0	100.0
Unspecified.....	88.0	12.0	100.0
Total - all types of buyers...	73.6	26.4	100.0

1/ Includes sales to Government, processors, institutions, and to consumers and other purchasers not separately classified.

Table 21. - Canned citrus juices and segments: Percentage of the individual sales of 4 cooperatives made under processors' and buyers' labels, 1948-49

Percentage sold	Number of associations selling indicated percentage under --	
	Processors' labels	Buyers' labels
0.1 - 25.0.....	-	2
25.1 - 50.0.....	2	-
50.1 - 75.0.....	-	2
75.1 - 100.0.....	2	-
Total associations.....	4	4

Table 22. - Canned noncitrus fruits and juices: Percentage of sales made by 17 cooperatives under processors' and buyers' labels to each type of buyer, 1948-49

Type of buyer	Percentage of sales made under --		
	Processors' labels	Buyers' labels	Total
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Wholesale grocers.....	31.3	68.7	100.0
Chain stores and super markets.....	27.7	72.3	100.0
Independent retailers.....	93.1	6.9	100.0
Other <u>1/</u> .....	39.9	60.1	100.0
Unspecified.....	17.8	82.2	100.0
Total - all types of buyers...	31.8	68.2	100.0

1/ Includes sales to Government, processors, institutions, and to consumers and other purchasers not separately classified.

Table 23. - Canned noncitrus fruits and juices: Percentage of the individual sales of 17 cooperatives made under processors' and buyers' labels, 1948-49

Percentage sold	Number of associations selling indicated percentage under --	
	Processors' labels	Buyers' labels
None.....	1	-
0.1 - 10.0.....	1	1
10.1 - 20.0.....	4	3
20.1 - 30.0.....	2	-
30.1 - 40.0.....	1	1
40.1 - 50.0.....	1	2
50.1 - 60.0.....	2	1
60.1 - 70.0.....	1	1
70.1 - 80.0.....	-	2
80.1 - 90.0.....	3	4
90.1 - 100.0.....	1	2
Total associations.....	17	17



## Canned Vegetables

An even smaller percentage of the canned vegetables was sold under processors' labels than of the noncitrus fruits and juices. Table 24 indicates that slightly over 85 percent of all vegetables marketed by 13 associations in 1948-49 were sold under buyers' labels. More than 90 percent of the sales to chain stores and super markets were made under buyers' labels.

Table 25 shows the percentages of the individual sales of the 13 associations made under each type of label. One association sold all of its canned vegetables under buyers' labels and four other associations sold 90 percent or more under this type of label. Only one association sold more than 70 percent of its canned vegetables under its own labels.

## Commodity Grades Sold Under Processors' and Buyers' Labels

The sales these cooperatives made under their own and under buyers' labels were also analyzed with respect to commodity grades. The sales of noncitrus fruits and juices sold under each type of label in relation to commodity grades are shown in table 26 and those of canned vegetables in table 27.

A larger percentage of both the noncitrus fruits and vegetables sold under buyers' labels graded Fancy than was true for processors' labels. Thirty-one percent of the canned noncitrus fruits and juices was marketed as Fancy grade compared with approximately 28 percent of the volume sold under processors' labels. Only 17 percent of the volume sold under buyers' labels was Standard grade compared with 33 percent of the sales made by these associations under their own labels.

About 69 percent of the canned vegetables sold under buyers' labels was Fancy grade compared with approximately 58 percent of the volume sold under processors' labels. About 19 percent of the sales made under processors' labels graded Extra Standard compared with slightly over 8 percent of the sales made under buyers' labels. The percentages sold as Standard Grade were about even for buyers' and processors' labels.

## Number of Labels Under Which Cooperatives Sell

An interesting development in connection with brand analysis was the large number of brand names under which the cooperatives studied were marketing canned fruits and vegetables in the 1948-49 season. In making the analysis, each brand was coded separately as to name and was further classified as to whether it was the association's own label or a buyer's label. Exclusive of the associations' own brands, the 27 associations were selling their products under 855 different brand names owned by the buyers. In addition, these associations had more than 120 brand names of their own under which they sold portions of their products.

Table 24. - Canned vegetables 1/: Percentage of sales made by 13 cooperatives under processors' and buyers' labels to each type of buyer, 1948-49

Type of buyer	Percentage of sales made under --		
	Processors' labels	Buyers' labels	Total
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Wholesale grocers.....	15.5	84.5	100.0
Chain stores and supermarkets...	8.9	91.1	100.0
Independent retailers.....	12.3	87.7	100.0
Other <u>2</u> /.....	46.4	53.6	100.0
Unspecified.....	24.3	75.7	100.0
Total - all types of buyers	14.5	85.5	100.0

1/ Includes tomato juice.

2/ Includes sales to Government, processors, institutions, and to consumers and other purchasers not separately classified.

Table 25. - Canned vegetables 1/: Percentage of the individual sales of 13 cooperatives made under processors' and buyers' labels, 1948-49

Percentage sold	Number of associations selling indicated percentage under --	
	Processors' labels	Buyers' labels
None.....	1	-
0.1 - 10.0.....	4	-
10.1 - 20.0.....	2	-
20.1 - 30.0.....	3	1
30.1 - 40.0.....	2	-
40.1 - 50.0.....	-	-
50.1 - 60.0.....	-	-
60.1 - 70.0.....	-	2
70.1 - 80.0.....	1	3
80.1 - 90.0.....	-	2
90.1 - 100.0.....	-	5
Total associations.....	13	13

1/ Includes tomato juice.

Table 26. - Canned noncitrus fruits and juices: Percentage of each grade sold under buyers' and processors' labels, 1948-49

Type of label and commodity	Percentage sold under -				
	Fancy	Choice	Standard	Other <u>1/</u>	Total
	Percent	Percent	Percent	Percent	Percent
<b>Buyers' labels</b>					
Apples and applesauce.....	100.0	-	-	-	100.0
Apricots.....	7.9	55.1	36.0	1.0	100.0
Cherries, RSP.....	47.3	-	52.2	0.5	100.0
Cherries, sweet.....	51.5	47.7	0.2	0.6	100.0
Peaches.....	7.0	74.1	16.4	2.5	100.0
Pears.....	22.6	57.7	19.6	0.1	100.0
Plums and prunes.....	78.8	20.2	0.6	0.4	100.0
Blackberries.....	81.5	13.2	-	5.3	100.0
Boysenberries.....	74.5	19.0	-	6.5	100.0
Loganberries.....	74.0	16.3	-	9.7	100.0
Raspberries (red and black)....	93.7	6.2	-	0.1	100.0
Youngberries.....	98.1	-	-	1.9	100.0
Other fruits <u>2/</u> .....	60.1	33.0	6.9	<u>3/</u>	100.0
Total - buyers' labels.....	31.0	50.8	17.0	1.2	100.0
<b>Processors' labels</b>					
Apples and applesauce.....	70.0	-	14.0	16.0	100.0
Apricots.....	7.7	59.1	31.5	1.7	100.0
Cherries, RSP.....	51.7	0.2	48.1	<u>3/</u>	100.0
Cherries, sweet.....	39.4	52.0	8.6	<u>3/</u>	100.0
Peaches.....	2.2	62.6	33.0	2.2	100.0
Pears.....	4.0	65.8	25.9	4.3	100.0
Plums and prunes.....	34.3	61.2	1.5	3.0	100.0
Blackberries.....	79.9	15.1	-	5.0	100.0
Boysenberries.....	77.9	19.7	-	2.4	100.0
Loganberries.....	31.5	67.9	-	0.6	100.0
Raspberries (red and black)....	94.3	5.4	-	0.3	100.0
Youngberries.....	75.5	-	-	24.5	100.0
Other fruits <u>2/</u> .....	59.2	36.1	2.8	1.9	100.0
Total - processors' labels...	27.7	37.5	33.0	1.8	100.0
Total - both labels <u>4/</u> .....	30.1	46.9	21.7	1.3	100.0

1/ Includes seconds and water grade.

2/ Includes mixed fruit, fruit cocktail, strawberries, gooseberries, and grape and apple juices.

3/ Less than .05 percent.

4/ The percentages shown in table 15 include those sales of canned fruits that were unlabeled or for which no type of label was specified.



Table 27. - Canned vegetables: Percentage of each grade sold under buyers' and processors' labels, 1948-49

Type of label and commodity	Percentage sold under -				
	Fancy	Extra Standard	Standard	Other <u>1/</u>	Total
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
<u>Buyers' labels</u>					
Green and wax beans.....	68.2	7.5	24.3	-	100.0
Sweet corn.....	44.1	11.3	43.9	0.7	100.0
Peas.....	76.8	8.5	14.7	-	100.0
Spinach.....	100.0	-	-	-	100.0
Tomatoes.....	74.3	25.7	-	-	100.0
Tomato juice.....	98.8	-	1.2	-	100.0
Other vegetables <u>2/</u> .....	95.8	4.0	0.2	<u>3/</u>	100.0
Total - buyers' labels.....	68.6	8.2	23.1	0.1	100.0
<u>Processors' labels</u>					
Green and wax beans.....	84.7	5.4	9.9	-	100.0
Sweet corn.....	35.6	10.3	48.9	5.2	100.0
Peas.....	8.4	54.1	37.5	-	100.0
Spinach.....	100.0	-	-	-	100.0
Tomatoes.....	27.7	53.6	18.7	-	100.0
Tomato juice.....	90.6	-	9.4	-	100.0
Other vegetables <u>2/</u> .....	88.7	3.4	7.5	0.4	100.0
Total - processors' labels..	57.7	18.9	22.2	1.2	100.0
Total - both labels <u>4/</u> .....	67.0	9.8	22.9	0.3	100.0

1/ Includes unspecified and substandard.

2/ Includes beets, carrots, 'pumpkin, mustard greens, and miscellaneous vegetables.

3/ Less than .05 percent.

4/ The percentages shown in table 15 include a small quantity marketed unlabelled or for which no type of label was specified.

This wide range of brand names under which a comparatively small number of processors sell their products serves to emphasize why so much discussion has developed in the canned-foods trade regarding the "battle of the brands." This is the battle between the nationally advertised canners' labels and buyers' private labels. Since World War II this struggle between brands has developed with considerable intensity. Some of the smaller and medium-sized canners caught in the struggle have either sold out to the large canners or have turned to packing for private-label owners.

#### Effect of Self-Service on Brand Policy

The trend toward self-service has gained rapidly in importance. Trade estimates indicate that more than half the volume of the independents and 90 percent of the business of chain stores is done in self-service stores. The continuing trend toward self-service emphasizes the importance of sales appeal in the label. Moreover, the label needs to be able to withstand considerably more handling than in the case of counter service since any number of shoppers may lift the product from the shelf before it is finally sold. The most tempting brand name on a highly attractive label accomplishes little if the label comes off while the consumer is examining the product. Space on the label for price marking has also become a factor with the growth of self-service. In the battle for shelf space every effort is made to develop labels which can silently clinch the sale without benefit of a grocery clerk's sales talk.

Not only is the battle for shelf space waged aggressively and continuously between brands of similar types of competing food products, as well as other types of food products, but also between food and nonfood products. As food stores, particularly super markets, continue to add nonfood departments, the competition for shelf space becomes more and more intense. A canned food product may be of high quality but, unless the label and other visual characteristics plus promotion of the product have sufficient appeal to tempt the consumer to buy, it will not be able to maintain a space on the self-service retailer's shelf very long. Its rate of turnover is a primary consideration in maintaining the right to that shelf space. Brokers indicated that turnover and return on investment are reviewed weekly by the large super market operators, with the result that they are generally only one week behind in their review of the previous week's business. This allows them to quickly overcome and correct any angle of the business that is not being handled with the utmost efficiency.

#### Appraisal of Cooperative Labels by Brokers

For the most part, brokers approved of the labels of their cooperative principals. A few of them, however, expressed a desire to see some of their cooperative principals' brand names and labels improved and revised. One cooperative in particular in the Middle Atlantic area was criticized for using a brand name which was outmoded and regarded as in



"poor taste" by some brokers. Some of the brokers said that the brand names of their cooperative principals afforded excellent promotional possibilities of which their principals had not taken advantage.

It was frequently emphasized by brokers that if the cooperative principal had only a very limited amount of money available for promotion, he would be well advised to spend it on an attractive, high-quality label. Such a label could then serve as his silent salesman in urging the consumer to select his product from the shelf.

In the questionnaire, brokers were requested to indicate the percentage sold under processors' and buyers' labels by their cooperative principals. It was interesting to note the high degree of similarity in their replies to this question and the results of the statistical analysis developed from the actual sales records of the principals. This was another indication of how well informed the brokers were and how accurately they appraised the status of their principals in their own markets.

#### Development of Broker-Sponsored Label.

In the course of the broker survey, information was supplied by brokers on the development of broker-sponsored labels. In particular, two types of operation were discussed. Under one method, used by a group of Mid-western brokers, the brand is owned and promoted jointly by a number of brokers. The processors packing under this sponsored label pay a slightly higher brokerage fee which is intended to compensate the brokers for promotional costs and the additional advisory functions they assume. Noncompeting brokers in different markets comprise the sponsoring group and have exclusive right to the brand. This broker-sponsored label has been used by two vegetable processing cooperatives.

The other method of operation discussed by brokers is that employed by a firm of food brokers operating in the South Atlantic area. This firm represents between 15 and 20 small independent canners and operates on a consigned-shipment basis. Most of its sales are made under its two controlled brand names. Insistence upon high quality is a factor of major importance in these operations. The brokerage fee is 4 percent and the processor also pays for the cost of the label over and above brokerage and for the cost of warehousing the products in the market. This firm operates in an important advisory capacity to the processors packing under its sponsored labels and assumes much more responsibility than is required under the usual type of broker representation. As a result, the processors it represents have continued their affiliation year after year. Originally the brand name was developed in 1884, but was subsequently taken over by this firm when the wholesale grocer owning the label discontinued operations. More than 80 exclusive distributors located in 5 South Atlantic States handle the products marketed under the labels sponsored by this firm.

The broker-sponsored label is adapted particularly to the use of small processors who pack only one or two commodities and, therefore, do not



have sufficient volume or length of commodity lines to warrant promotion of their own labels. Moreover, frequently the financial inability of small processors to employ highly capable and experienced sales personnel can be compensated for by the promotional and advisory functions assumed under the broker-sponsored-label arrangement.

### General Outlook on Brand Policy

A number of brokers indicated that in their opinion cooperative processors selling largely under private labels had reason to be concerned, particularly in those markets where private-label sales were decreasing or where a very definite shift had already been made to nationally advertised labels. They regarded cooperative processors who were selling most of their volume under buyers' labels as particularly vulnerable in highly competitive markets where the wholesaling operations had been streamlined to reduce operating margins. In such markets, brands with no promotion behind them appear to be at a disadvantage.

Cooperatives selling largely under buyers' labels have been particularly successful in supplying more aggressive wholesalers who have promoted their own labels. Such wholesalers, who regard cooperative processors as one source of reliable supply, provide outlets for quality products promoted by the wholesaler on a regional or local basis. This is the type of outlet cooperatives who sell largely under buyers' labels can supply with quality products to the mutual advantage of wholesaler and processor. However, in marketing primarily under private labels, the processor appears to be in a somewhat hazardous position as he is building up no equity of his own and may be subject to buyers' whims and devastating price competition. Should price differentials between nationally advertised brands and those private labels which are not well promoted tend to decrease, the hazards of selling under such private labels are likely to increase. Brokers stated that since there is evidence in the canning industry of increased concentration among a smaller number of operators, many private-label owners regard cooperative processors as a good source of supply for high-quality products. Important to packers selling under private labels are continuous quality improvement and the ability to remain competitive.

Any over-all change in the marketing trend which might be induced by more intensive price competition with a resultant decrease in promotion at the wholesale level, could lessen such opportunities for private-label sales. Many brokers, therefore, indicated that their cooperative principals should review their brand policies. Desirable changes could be initiated more advantageously in a sellers' market.

### Price Policy

#### Method of Quoting Price

An analysis of the sales records of the associations included in the study was made with respect to the method used by these associations in

quoting prices in 1948-49. The results of this analysis are shown in table 28. Slightly over 97 percent of their sales were made with prices quoted f.o.b. (free on board) point of shipment, which included plant, warehouse, or dock. Less than 3 percent were made on a delivered basis. Generally, cooperatives prefer not to quote delivered prices because this involves the additional effort of obtaining and checking rates, paying transportation costs, and assuming additional risks in guaranteeing delivery.

The major portion of the products sold on an f.o.b. basis was shipped freight collect, with the buyer paying transportation charges at point of arrival. However, for slightly over 10 percent of total sales, the freight was prepaid by the processor and transportation charges were included on the invoice when the buyer was billed for his purchase. The volume sold with freight allowed was almost negligible. Such products were generally shipped by motortruck to nearby points and the processor assumed transportation costs. In the few shipments made by rail under this method, transportation charges were deducted from the total amount of the invoice prior to payment by the buyer.

#### Appraisal of Price Policies by Brokers

In general, the broker survey indicated that price policies were the phase of cooperative marketing of which brokers were most critical. While many of the long-established and well-known cooperative processors were regarded as doing excellent jobs in the pricing field, this was not always true. Two associations, which have been marketing their products over a long period of time, were considered by brokers in several markets as being in a weak position on pricing, which might suggest that their price policies should be reexamined.

The most frequent criticism made by brokers of their cooperative principals was that they were slow to quote prices and lacked flexibility in meeting changing market situations. This was reflected in their slowness in adjusting prices downward and their reluctance to quote opening prices. Brokers believed that in most instances this was not due to a lack of information on the part of cooperative sales managers, but rather to the fact that they were restrained in their price-determining policy by the desire of cooperative membership to maximize returns in the current operating period. Frequently this inflexible price policy had resulted in loss of potential business. Brokers stated that in some instances the buyers had been interested in establishing a reliable and continuous source of supply of high-quality products which could meet legitimate competition over a long period of time. In addition, many brokers indicated that the responsibility for fixing prices did not appear to be clearly defined. The general tenor of their criticism indicated that more effort directed at achieving an informed membership with respect to marketing problems and practices would be very beneficial.

Insofar as the cooperative marketing of processed fruits and vegetables in general is concerned, it would seem that research studies undertaken



Table 28. - Method of quoting prices used  
by cooperatives, 1948-49

Method of quoting price	Percent of total sales volume marketed under method specified
F.O.B. -- Freight collect.....	86.5
F.O.B. -- Freight prepaid.....	10.7
Delivered.....	2.4
Freight allowed.....	0.1
Unspecified.....	0.3
Total.....	100.0

in the future could be directed advantageously to an intensive study of price policies. Included in such a study should be the development of information on how price policy has been determined, responsibility for setting prices, long-time results of policies employed, and membership aspects of the problem.

### Sales Policy

#### Continuity of Supply

A survey of brokers indicated that a continuous supply was a very important factor in marketing processed fruits and vegetables. This was particularly true for those products which had received national or regional promotion. Many of the brokers, emphasizing the importance of this factor in distributing canned fruits and vegetables, stressed especially the need for a continuous supply in selling citrus juices.

Table 29 and chart 5 show the seasonal billings of canned single-strength citrus juices and segments made by five cooperatives in the 1948-49 season. For purposes of this analysis, the year was divided evenly into thirteen 4-week periods and the billings made by all associations were computed for each period. The term "billings" rather than "shipments" is used here inasmuch as a small amount, 1.1 percent, of these sales was reported as future shipments. It is apparent from this table that the heavy sales of citrus juices occurred during the five 4-week periods which began December 26, 1948, and ended May 14, 1949. These 20 weeks accounted for 55 percent of the total billings made by these associations in the 1948-49 season. Only one association reported shipments during the last 4-week period in the season. Two associations made less than 1 percent of their billings after the period ending July 9.

Comparable information on seasonal billings for noncitrus fruits and vegetables is shown in table 30, chart 6. Heaviest sales occurred in the three 4-week periods beginning August 22 and ending November 13, 1948, when approximately two-fifths of the billings were made. Two-thirds of



Table 29. - Canned single strength citrus juices and segments: Seasonal billings of sales made by 5 cooperatives, 1948-49

Period	Percent of sales billed in period specified --
4-week period ending: <u>1948</u>	Percent
October 30.....	3.5
November 27.....	4.7
December 25.....	6.9
<u>1949</u>	
January 22.....	12.1
February 19.....	10.7
March 19.....	10.7
April 16.....	10.0
May 14.....	11.5
June 11.....	6.8
July 9.....	8.1
August 6.....	4.8
September 3.....	6.1
October 1.....	4.1
Total.....	100.0

the sales were billed before the end of 1948. Inasmuch as some of the same associations were marketing canned noncitrus fruits and canned vegetables, and the two classes of products were billed on the same invoice, no attempt was made to separate these two commodity groups.

Discussions with brokers and other trade people regarding the matter of maintaining adequate stocks to keep buyers supplied, indicate that there appear to be two alternative procedures which cooperative processors may use. They may elect to "skim the cream" off the market by moving stocks as rapidly as possible to buyers in the markets where they can most readily sell their products each season. This policy seeks to secure greatest returns in the shortest time and assumes no responsibility for keeping supply lines filled and buyers' shelves stocked. When such a policy is followed it then becomes the buyer's responsibility to purchase sufficient supplies to carry him through the season. Failure to do so is regarded as the result of his own shortsightedness.

The alternative to the marketing practice just described is the careful selection of markets for concentrated sales effort. This method seeks to develop a long-time selling policy on an intensive basis. In order to reap the rewards of the promotional work carried on, it is essential to maintain a continuity of supply and to keep buyers' shelves stocked at

FIGURE 5

# SEASONAL BILLINGS OF CANNED SINGLE STRENGTH CITRUS JUICES AND SEGMENTS MADE BY FIVE COOPERATIVES 1948 - 49



Table 30. - Canned noncitrus fruits and vegetables: Seasonal billings of sales made by 22 cooperatives, 1948-49

Period	Percent of sales billed in period specified --
4-week period ending: <u>1948</u>	<u>Percent</u>
June 26.....	4.8
July 24.....	5.7
August 21.....	9.0
September 18.....	13.5
October 16.....	13.6
November 13.....	12.0
December 11 .....	7.4
<u>1949</u>	
January 8.....	9.1
February 5.....	6.7
March 5.....	5.6
April 2.....	4.6
April 30.....	4.3
May 28.....	3.7
Total.....	100.0

all times. Failure to do this would mean that the impact of the promotional effort was temporarily lost and that the job of promotion would have to be initiated all over again.

In analyzing the broker replies, it developed that three cooperatives in particular were criticized rather consistently in different markets for their failure to make supplies available after entering the market. In the case of one of these associations particularly, the brokers contended that the value of the promotional work done in their markets had been completely lost as no stocks were available to fill the demand that had been created. If and when the processor again enters these markets, the promotional work will have to be done all over again. This, to the brokers, seemed like a considerable waste of time and effort.

In connection with the question of supply, a few brokers were of the opinion that some of their cooperative principals should reappraise their markets in establishing supply quotas. They contended that certain population shifts, particularly in those markets where defense production was important, tended to make previous quotas inequitable. This may be a factor which should receive careful consideration from some of the cooperatives whose markets have been affected.



FIGURE 6  
SEASONAL BILLINGS OF CANNED NONCITRUS FRUITS AND  
VEGETABLES MADE BY 22 COOPERATIVES  
1948 - 49



It was observed by a few brokers that certain cooperative principals had withdrawn completely from some of the major markets. They raised a question regarding the soundness of such a marketing policy because trade contacts established over a long period of time were lost. They regarded this as an indication of a weakness in sales policy inasmuch as the cooperatives withdrew from these markets for competitive reasons. It was their opinion that these cooperatives, by initiating improvements in their operations, could have met the competitive situation and that such an effort would have been definitely to their advantage in the long run.

### Consigned Stocks

Some of the brokers interviewed indicated their interest in consigned stocks and stated that they were at a disadvantage in supplying buyers because their cooperative principals did not consign stocks in their markets. The sales records of the cooperative processors included in the study indicated that four of the associations carried consigned stocks in a few of the major markets. The analysis indicated that the percentage of sales made from consigned shipments in 1948-49 was very small and exceeded 5 percent of total sales for only one cooperative. For this association, the reported sales from consigned stocks amounted to about 7 percent of total sales.

While consigned stocks do provide an effective method of keeping available in important markets supplies to which buyers have ready access, this method of selling has some real disadvantages for the processor who uses it. The processor must be willing and able to finance inventories in various primary markets. The risks of price changes are thus assumed by the processor. Moreover, considerable record keeping is required in maintaining control of scattered stocks.

### Promotion

Brokers were asked to indicate what type of promotion their cooperative principals were using for their products and how effective they considered this promotion. <sup>9/</sup> The replies indicated that an extremely small amount of promotion was being done by the cooperatives. Of the replies received, about 87 percent indicated no promotional work (table 31). A few of the associations were using specialty men in some of the larger markets. The greatest amount of promotion was being done through trade associations which were promoting individual commodities on a national basis. Most of the replies indicated that the work that had been done had been effective.

Questioned regarding what they thought their cooperative principals might do to obtain a larger share of the market, more than 10 percent of the

<sup>9/</sup> Promotion is used in a general sense in this report and includes advertising in newspapers, trade or other magazines, on radio or television programs, and through trade associations and specialty work at point of sale.

Table 31. - Product promotion employed by 27 cooperatives in 1950

Market	Number of replies indicating cooperative principal currently employs the type of promotion specified -						
	Specialty work	Commodity promotion by national trade associations	Newspaper or trade magazine or both	Newspaper and radio	Other 1/	None	Total number of replies
Atlanta.....	-	-	-	-	-	8	8
Baltimore 2/.....	-	2	-	-	-	10	12
Boston.....	1	-	-	-	-	13	14
Chicago.....	1	-	-	-	-	15	16
Cincinnati.....	-	-	-	-	-	6	6
Cleveland.....	-	-	-	-	1	7	8
Dallas.....	-	3	-	-	1	14	14
Detroit.....	-	1	-	1	1	9	10
Kansas City.....	-	2	-	-	1	12	15
Los Angeles.....	2	-	-	-	-	11	13
Minneapolis-St. Paul.....	-	-	-	-	-	10	10
New York City.....	1	-	-	-	-	14	15
Philadelphia.....	-	1	-	-	-	15	16
Pittsburgh.....	-	-	-	-	-	7	7
Portland (Ore.).....	-	-	2	-	-	6	8
Richmond (Va.).....	-	1	-	-	-	7	7
San Francisco.....	-	-	-	1	3	8	13
St. Louis.....	-	-	-	-	-	15	15
Washington (D. C.) 2/.....	1	-	1	-	-	7	9
Total.....	6	10	3	2	7	188	216

1/ Includes use of film, special promotion to institutional trade or on frozen products.

2/ The replies of brokers representing the same cooperative principals in Baltimore and Washington have been included for Baltimore only.



brokers indicated their principals were already obtaining their fair share of the market (table 32).

More than 20 percent of the replies indicated the brokers thought the cooperatives should be doing more promotional work in their markets. Another 20 percent indicated that the real problem in getting a larger share of the market was the small volume or the limited line processed by the cooperatives, and that the only way in which a larger share of the market could be obtained would be through making more production available to the market or expanding the commodity line.

Slightly more than 17 percent of the replies suggested that the cooperatives should be more competitive on price. Some of these emphasized that with opening prices out of line, business had been lost in their markets. About 9 percent of the replies indicated that the business should be gradually built up over a long period of time through continuous sales effort. A few replies, particularly in Eastern Seaboard markets, mentioned the need for eliminating the disadvantages caused by freight differentials, and brokers in four of the larger markets were of the opinion that consigned stocks would improve their positions in the market.

On the subject of product promotion, the opinions of brokers were sought regarding what products should receive promotion and what type of promotion should be done. Most of the brokers, in commenting on this subject, included the complete commodity line of the cooperative principal. Replies of the brokers are tabulated in table 33. About two-fifths of the replies indicated that the brokers saw no advantage in product promotion under present conditions. "Under present conditions" usually referred to the fact that the small volume or limited line of the cooperative principal did not warrant promotion, inasmuch as all of the volume available was being marketed and more could be sold if larger quantities were available. This was due in some cases to an attempt on the part of the principals to protect themselves by spreading their volumes over a number of markets which meant that some markets were thinly covered. Under such circumstances, promotional activities might tend to increase the price without securing any increase in the volume of sales. Moreover, the fact that noncitrus fruit and vegetable cooperatives were selling a large portion of their products under buyers' labels did not make product promotion currently practicable for these associations.

About 15 percent of the replies indicated that the brokers regarded cooperative advertising in local newspapers as probably the best way to secure results for the amount of money spent. The brokers usually qualified their replies, however, by indicating that the results to be obtained from this type of advertising are dependent upon the manner in which it is handled and the type of buyer with whom such arrangements are made. Most of the brokers thought there should be a tie-in between sales volume and the amount of advertising outlay. They did not want to see the cooperative advertising considered as a rebate and they believed that the use of cooperative advertising is frequently abused. Brokers generally

Table 32. - Ways suggested by brokers in which cooperative principals could obtain a larger share of the market

Market	Number of replies indicating cooperative principal should employ method specified to obtain a larger share of market -										Total number of accounts
	Do more promotion and advertising	Need larger volume or longer line	Be competitive price-wise	Continuous sales effort to gradually build up distribution	Equalize freight rates	Carry consigned stocks	Improve quality, type of pack, or label	Be more aggressive, announce prices sooner	Getting fair share of market	Other	
Atlanta.....	1	1	5	-	-	-	-	-	1	-	8
Baltimore 1/.....	2	2	2	-	3	1	-	-	1	1	12
Boston.....	2	2	2	1	1	1	1	-	4	3	14
Chicago.....	1	-	3	4	-	-	-	3	-	-	16
Cincinnati.....	1	3	1	-	-	-	-	-	1	-	6
Cleveland.....	1	1	1	-	-	-	-	1	-	1	8
Dallas.....	7	2	1	1	-	-	1	-	1	-	14
Detroit.....	2	3	2	-	-	-	-	-	-	-	10
Kansas City.....	1	6	4	1	1	-	1	-	2	-	15
Los Angeles.....	7	3	2	1	-	-	-	-	1	-	13
Minneapolis-St. Paul.....	1	3	1	1	1	-	-	-	2	-	10
New York City.....	6	3	2	1	1	-	-	-	1	2	15
Philadelphia.....	3	3	2	3	3	-	1	-	1	2	16
Pittsburgh.....	3	1	-	1	-	-	-	-	-	-	7
Portland (Ore.).....	1	3	-	-	-	-	1	-	1	2	8
Richmond (Va.).....	1	3	-	-	1	-	-	-	-	-	7
San Francisco.....	2	3	-	1	-	1	1	-	3	1	13
St. Louis.....	2	1	4	4	-	1	1	-	3	2	15
Washington (D. C.) 1/.....	2	2	3	1	-	-	-	-	-	1	9
Total.....	45	42	37	19	10	4	8	4	24	18	216

1/ The replies of brokers representing the same cooperative principals in Baltimore and Washington have been included for Baltimore only.

Table 33. - Brokers' replies regarding type of product promotion needed in selling fruits and vegetables processed by cooperatives

Market	Number of replies suggesting cooperative principals use type of product promotions specified -												Total number of accounts
	None under conditions	Cooperative advertising in local newspapers	Speciality work	Speciality work and radio or newspaper advertising	Television, radio and local newspaper advertising	Competitive pricing more important	Advertising in local newspapers	Promotion of one item in commodity line	Promotion on commodity basis through national trade association	Other	No reply		
Atlanta.....	-	-	2	1	1	1	-	-	-	-	3	-	8
Baltimore 1/.....	4	2	3	-	-	1	-	-	-	-	1	-	12
Boston.....	10	1	-	1	-	-	-	-	-	1	1	1	14
Chicago.....	7	2	1	-	-	2	1	-	-	1	2	-	16
Cincinnati.....	3	4	-	-	-	-	-	-	-	-	-	-	6
Cleveland.....	2	-	1	1	-	-	-	-	-	-	-	-	8
Dallas.....	3	1	1	1	1	-	2	2	-	-	-	3	14
Detroit.....	2	1	1	-	1	2	3	-	1	-	-	1	10
Kansas City.....	7	-	4	-	-	-	-	-	1	-	-	-	15
Los Angeles.....	5	-	4	3	-	-	3	-	-	-	-	-	13
Minneapolis-St. Paul.....	3	-	1	1	-	-	-	-	-	-	-	-	10
New York City.....	7	4	1	2	-	-	-	-	-	1	1	-	15
Philadelphia.....	6	3	-	3	-	1	1	1	1	-	-	-	16
Pittsburgh.....	3	-	-	-	-	-	-	2	2	-	-	-	7
Portland (Ore.).....	2	-	1	1	2	2	-	-	-	-	-	-	8
Richmond (Va.).....	3	3	-	-	-	-	-	-	-	-	-	1	7
San Francisco.....	7	1	1	-	-	-	-	-	-	-	1	-	13
St. Louis.....	7	1	1	2	2	-	-	1	1	-	-	2	15
Washington (D. C.) 1/.....	5	3	-	-	-	-	-	-	-	-	-	-	9
Total.....	86	25	20	17	8	8	15	12	4	3	10	8	216

1/ The replies of brokers representing the same cooperative principals in Baltimore and Washington have been included for Baltimore only.



thought the advertising tie-in with sales should be on a per-case basis, so that there might be a more definite measurement of the results obtained. With such protection for their principals, the brokers regarded cooperative advertising as an effective and inexpensive type of promotion.

Specialty work at retail outlets, particularly specialty work combined with newspaper advertising and radio spot advertising, was regarded by many brokers as the most beneficial type of promotion. Some of the brokers indicated they had done a certain amount of specialty work in retail stores. Others said that at the low rate of brokerage they received, they were unable to do this type of work and such promotion would have to be done by the principal. One broker indicated that he regarded the specialty work he had done as expensive, but that it had paid off. The specialty work was recommended where the consumer trade was drawn to a large extent from rural areas and the use of cooperative advertising was, therefore, less effective.

A number of the brokers thought that more could be accomplished by keeping prices competitive than by spending money for advertising and promotion.

Some of the brokers were of the opinion that any promotion undertaken should be on a commodity basis. It was suggested that in some cases effective promotion could be obtained by advertising through national trade associations. They considered the work of the National Cherry Institute particularly effective and were interested in a similar type of promotion for Northwest beans and a few other commodities which could be done on a national basis by a group of processors.

A few other brokers wanted to see promotion by the individual cooperatives on one important commodity selected from the association's complete line. It was their contention that the cooperative should advertise the one product extensively and thus become well known for this one item. The other products in the commodity line would then benefit from the intensive promotion of one commodity under the cooperative's brand name.

In general, there was little interest shown in any program for national advertising. It would be useless, brokers said, to undertake any such program unless it could be done in a big way. To attempt such promotion on a limited scale would be a waste of money. They were usually rather definite in their opinion that the promotional work should be on a local basis in key markets and should be tailored to fit local marketing conditions.

Some of the brokers expressed the view that it would be to the advantage of private-label packers to consolidate in order to secure a more complete line and larger volume. This, according to the brokers, would permit the processors to be more aggressive in their marketing practices.

A few of the brokers favored grade labeling and were interested in seeing canned products sold on the basis of quality rather than on the basis of advertising.

A number of the brokers mentioned the need for membership education in relation to a long-time promotional program. It was their opinion that the producer members were generally not interested in setting aside any of the returns for the purpose of promoting their products in a well-developed, long-time merchandising program. They were inclined to regard such producers as short-sighted and interested only in immediate returns rather than a well-thought-out merchandising program.

Before undertaking an advertising program on a regional or even local basis there are several factors a cooperative processor should consider. First, he should determine the objectives to be accomplished and the type of consumers to whom the promotion should be directed. The broker would be in a particularly advantageous position to render assistance in setting up a promotional program for a specific market. After determining the media to be used and the amount of the advertising budget, various types of advertisements would need to be prepared and tested. He would then have to decide upon those which would be most effective.

In connection with the media to be used and type of consumers to whom the appeal should be directed, the brokers' replies revealed some interesting suggestions. Several brokers mentioned the advantages to be gained by using television in appealing to children. This was mentioned most frequently in promoting citrus juices, particularly of one cooperative principal with a brand name which usually appeals to children. Other brokers mentioned the use of spot radio advertising in the morning when citrus juices are more generally consumed. In the use of advertising allowances in connection with local newspapers, a number of replies emphasized the importance of using evening papers as the media rather than morning papers which were regarded as "throw-away" copies. It was indicated that mass displays in retail stores have been particularly effective in distributing citrus juices.

#### Brokers' Appraisal of Cooperative Principals

Brokers were asked to indicate how their cooperative principals compared with other principals with respect to being informed on market conditions. A tabulation of the brokers' replies is shown in table 34. About 94 percent of the replies indicated cooperative principals were highly regarded by their brokers with respect to being well informed on market conditions and knowing their business. Of the favorable replies, more than 18 percent indicated that the brokers considered their cooperative principals "out in front" and better informed than other principals.

The unfavorable replies, accounting for less than 6 percent of the total, were generally concerned with the cooperative principal's lack of information on conditions in a specific market or his failure to supply information to his broker.



Table 34. - Brokers' appraisal of cooperative principals with respect to being informed on general market conditions

Market	Number of favorable replies indicating cooperative principals were -				Number of unfavorable replies indicating cooperative principals were -					Total number of replies
	Better informed than most	Excellent; out in front	Well informed; know their business	Compared favorably with others	Not well informed on conditions in markets	Not helpful; could keep broker better informed	Doubtful at times	Not fair	Factual, but late	
Atlanta.....	-	2	6	-	-	-	-	-	-	8
Baltimore <u>1</u> /.....	-	-	11	-	-	-	1	-	-	12
Boston.....	-	3	10	1	-	-	-	-	-	14
Chicago.....	1	3	11	1	-	-	-	-	-	16
Cincinnati.....	-	2	3	-	-	1	-	-	-	6
Cleveland.....	-	3	4	1	-	-	-	-	-	8
Dallas.....	-	3	6	3	-	-	1	-	-	2/13
Detroit.....	-	2	5	2	-	-	-	-	-	10
Kansas City.....	1	1	8	4	1	-	-	-	-	13
Los Angeles.....	-	-	13	-	-	-	-	-	-	13
Minneapolis-St. Paul.....	-	4	4	1	-	1	-	-	-	10
New York City.....	-	1	12	2	1	-	-	-	-	15
Philadelphia.....	-	5	9	-	-	-	1	-	-	2/15
Pittsburgh.....	-	2	2	3	-	-	-	-	-	7
Portland (Ore.).....	-	-	6	1	1	-	-	1	-	8
Richmond (Va.).....	-	-	6	1	-	-	-	-	-	7
San Francisco.....	-	3	10	-	-	-	-	-	-	13
St. Louis.....	-	1	10	-	-	-	-	-	1	2/12
Washington (D. C.) <u>1</u> /.....	-	-	7	-	-	1	1	-	-	9
Total.....	2	35	143	19	4	3	3	1	1	211

1/ The replies of brokers representing the same cooperative principals in Baltimore and Washington are included for Baltimore only.  
 2/ No reply for one account.  
 3/ No reply for three accounts.



Brokers were asked also to indicate how they thought their cooperative principals compared with other principals in adjusting their merchandising practices to meet changing price situations and other competitive conditions. Their replies are tabulated in table 35. In general, brokers were somewhat more critical in their replies regarding the marketing practices followed by their cooperative principals with respect to flexibility and adjustment to market conditions than they were in replying to the previous question dealing with information on market conditions. This would indicate that in most cases the failure to adjust price policies or other practices to meet changing conditions in the market was not due to lack of information or an understanding of the situation in the market, but to other factors. One reason frequently cited for the smaller degree of flexibility exercised by the cooperative principals was the inherent difference in organizational set-up whereby management was held responsible to producer members for the returns on their products marketed in processed form. This, they insisted, tended to restrict the management in exercising freedom of judgment in making adjustments, particularly with respect to prices. It was only in the matter of price policy that some brokers' observations indicated any important differences between the practices of cooperative and other principals in marketing canned fruits and vegetables.

In the analysis shown in table 35, about 75 percent of the replies were favorable compared with 94 percent in the previous analysis of cooperative management (table 34). However, the validity of some of the criticisms regarding price position might be questioned. Perhaps the slowness to make adjustments, particularly downward, and the slowness to name opening prices may have put some brokers at a disadvantage at times. However, some of the criticism indicating that cooperative principals quoted higher prices and were not competitive may not always have been justified. As many brokers frequently commented, "anyone can give merchandise away, but it is quite a trick to sell it." Actually, in some instances, the price may have been broken in the market through small processors unloading inventories when they were in a less favorable financial position. In such cases, if the noncompetitive status of cooperative processors represented an attempt to maintain prices in the face of a somewhat demoralized market, then a more neutral observation would probably find much to recommend such a price policy. However, as pointed out previously, a number of brokers wanted the price policy of their cooperative principals reexamined in the light of good will to be developed with buyers over a long period of time. Examined with such a perspective, it might appear that the price policies of some cooperative principals should be revised to permit greater flexibility and a more competitive position at such times as current conditions in a specific market appear to warrant an adjustment.

#### Competitive Factors Influencing Buyers

Brokers were asked to indicate what competitive factors, in addition to price, quality, and sales promotion, influenced the buyers in their markets to buy either cooperative products or competing commodity lines. It

Table 35. - Brokers' appraisal of cooperative principals with respect to flexibility in merchandising practices to meet changing conditions

Number of replies indicating that in comparison with other principals cooperative principals were -													
Markets	Very flexible	Competitive	Usually authorized to follow the market	Hesitant, price-wise, alert otherwise	Less flexible, but sound in selling practices	Above average in flexibility	Not as flexible	Not as competitive	Higher priced	Slower to make adjustments	Slower to name opening prices; no leaders	Not as successful in price policy used	Total number of replies
Atlanta.....	1	1	-	-	-	-	1	-	-	1	3	-	1/7
Baltimore <u>2</u> .....	4	1	-	-	-	-	2	-	3	1	-	-	1/11
Boston.....	8	1	-	-	-	-	2	-	1	1	-	1	14
Chicago.....	3	7	1	-	-	-	2	-	1	1	-	2	16
Cincinnati.....	3	4	-	1	-	-	-	1	-	1	-	-	6
Cleveland.....	4	4	-	-	-	-	-	-	-	1	-	-	8
Dallas.....	4	3	-	-	1	1	-	-	1	1	-	-	3/11
Detroit.....	6	1	-	1	-	1	-	-	-	-	-	-	1/9
Kansas City.....	7	4	-	-	1	-	1	-	-	-	5	-	1/14
Los Angeles.....	8	4	-	-	1	-	2	-	-	-	-	-	13
Minneapolis-St. Paul..	4	2	-	-	-	-	2	-	-	-	-	-	10
New York City.....	9	2	-	-	-	1	1	-	2	-	-	-	15
Philadelphia.....	8	1	-	-	2	-	3	1	-	-	-	1	1/15
Pittsburgh.....	5	1	-	-	1	-	-	-	-	-	-	-	7
Portland (Ore.).....	3	4	-	-	-	-	-	-	-	1	-	-	8
Richmond (Va.).....	4	-	1	-	-	-	-	-	-	1	-	-	4/5
San Francisco.....	4	5	1	-	1	-	-	-	1	1	-	-	1/12
St. Louis.....	2	3	2	-	1	-	2	-	-	4	-	-	1/14
Washington (D. C.) <u>2</u> ..	4	3	-	-	-	-	-	-	-	1	1	-	9
Total.....	91	44	4	2	8	3	16	2	8	13	9	4	204

1/ No reply for 1 account.  
 2/ The replies of brokers representing the same cooperative principals in Baltimore and Washington are included for Baltimore only.  
 3/ No reply for 3 accounts.  
 4/ No reply for 2 accounts.



is apparent from the tabulation of their replies in table 36 that many of them regarded price, quality, or sales promotion, or some combination of these three factors, as of major importance in influencing the choice of buyers, inasmuch as "No other factor" was mentioned 118 times out of a total of 477 replies.

Brokers paid tribute to their cooperative principals in the large number of replies indicating that they regarded as of major importance in buyers' selection of cooperative products the good reputation of their cooperative principals with the trade, their fair treatment of buyers, and the fact that they were considered reliable sources of supply. Fifty-six out of a total of 163 replies, or more than a third of the replies giving other factors for the selection of cooperative products, mentioned one or a combination of these factors dealing with favorable reputation, fair treatment, or reliability.

Brokers naturally rated their own efforts and contacts rather high in influencing buyers to purchase the products of their cooperative principals. This is reflected in the 47 replies which indicated that the personal efforts and contacts of the broker influenced the buyers in selecting cooperative products. On the other hand, 7 replies indicated that similar aggressive efforts of competing brokers influenced the selection of competitive products. It is true, of course, that the trade connections of brokers, their long-established relations with important wholesale grocers and other large buyers, are extremely important in the market.

This serves to emphasize how important it is for cooperative principals to know their brokers and their connections. In the course of the broker survey, it frequently developed that the cooperative principal had never met his broker, had no real concept of his personality or ability, and knew little about his experience or connections. Moreover, some principals had made no effort to furnish information on their over-all sales policies, so that the broker was left largely to his own initiative in representing his principal. Brokers indicated that the cooperative principals frequently failed to supply them with various bits of information about their cooperative organizations which could prove very helpful to the broker in his contacts with the trade. This was emphasized frequently by the fact that in the course of the interview various points were developed about a cooperative principal which the broker had not known previously and he frequently remarked during the interview that such information received earlier from the principal could have been very helpful to him.

The survey showed that little effort had been made by the majority of cooperative principals to arrange an opportunity for their brokers to meet each other and get acquainted. This lack of effort seemed rather surprising, inasmuch as the annual meetings of the food brokers and food processors are usually held in close sequence and would seem to furnish an excellent opportunity for the processor to arrange a get-together for his brokers. One large eastern cooperative processing a specialty product and, therefore, not included in this study, has made a noteworthy effort



Table 36. - Competitive factors, in addition to price, quality, and sales promotion, influencing buyers to select cooperative products or competing commodity lines

Competitive factors	Number of broker replies indicating specified factor influencing buyers to select -	
	Cooperative products	Competing commodity lines
Personal effort and contact by brokers; sales talk and service.....	47	7
Good reputation with trade; reliable source of supply; fair treatment.....	56	-
Established in the market.....	18	19
Consumer acceptance of brand name.....	8	15
Good management; responsible people.....	8	-
Consign stocks.....	8	5
Buyer loyalty.....	7	-
Assistance of processor's sales staff.....	6	-
Financial stability.....	5	-
Freight cost.....	-	55
Nationally advertised brands.....	-	38
More reliable source of supply.....	-	35
Terms of shipment or sale.....	-	14
Larger product line.....	-	8
No other factor.....	72	46
Total replies.....	<u>1/ 235</u>	<u>1/ 242</u>

1/ Some brokers indicated more than one competitive factor in their replies.

in getting his brokers together each year during the annual conventions of food processors and food brokers. One or two other cooperatives have arranged for similar meetings on a smaller scale. On the whole, however, such meetings seem notable in their absence. Generally brokers like to feel that they are an important part of the sales organization of the principal and they are in a position many times to give valuable suggestions if consulted on the proposed policies of the association.

Financial stability was mentioned several times by brokers as a factor of importance in buyers selecting cooperative products. Frequently brokers stated that an important consideration in doing business with cooperatives was that they represented a more permanent operation and did not change ownership readily. Most brokers commented particularly on the promptness with which their brokerage fees were paid by their cooperative principals.

Related to this factor of financial stability was the comment by brokers regarding the installation of modern processing equipment by the cooperative principals. It was indicated by some brokers that the sound financial position of their cooperative principals made it possible for them to expand and improve their operations as conditions required, which included the acquisition of the latest types of equipment and facilities.

When competitive factors are about evenly balanced, many buyers prefer to divide their business, allocating varying amounts to different processors. In this respect their procedure is no different from that of many processors. It was apparent that cooperative principals, too, in many instances, were following a policy of not "putting all their eggs in one basket," and preferred to spread their sales out among many markets rather than concentrating their efforts in a selected few.

#### Discounts and Allowances

About 80 percent of the associations furnishing data for the study allowed cash discounts on their sales of canned fruits and vegetables. The cash discount is a deduction allowed by the association on condition that payment be made within a specified time.

About half of the associations granting a cash discount allowed 1-1/2 percent discount if paid within 10 days from the date of invoice. About 35 percent of the associations, all located on the Pacific Coast, allowed 2 percent if paid 10 days from the date of invoice.

The balance of the associations granted variations of these two major types of cash discounts. One association, for example, allowed a 2 percent discount if paid in 2 days, 1-1/2 percent if paid in 10 days, and 1 percent if paid in 12 days. Another allowed 2 percent for cash and 1-1/2 percent if paid in 10 days. Still another allowed 2 percent on one product if paid in 10 days and 1-1/2 percent on all other products.

In those cases where shipments were made by water, the terms were generally quoted 10 days after arrival, rather than 10 days after date of invoice as in rail shipments.

When payment was requested on presentation of sight draft, a practice frequently used when the credit rating of the buyer had not been established with the seller, the terms quoted were usually 2 percent discount on presentation.

Swell allowances of from one-quarter to one-half percent in accordance with recommendations of the National Cannery Association and other trade organizations, were generally granted by these associations. For the staple vegetables, such as corn, peas, beans, pumpkin, squash, beets, tomatoes, and others, an allowance of one-half of 1 percent was made. However, on peaches the swell allowance was usually one-quarter of 1 percent. On cherries and citrus juices, the swell allowance varied from one-quarter to one-half of 1 percent. When abnormal swells develop, which are defined as being more than double the amount allowed on a percentage basis on contract, adjustment is made by negotiations, generally on the basis of each unit shipment rather than against the entire contract.

Label or brand allowances by the cooperatives generally followed industry practice. The label allowances vary in amount with the size and type of label used. In general, the label allowance is intended to cover approximately the cost of the labels, which the buyer supplies. More recently many wholesale grocers have contended that in most cases label allowances were fixed by packers years ago and have continued without change throughout the periods of rising prices of the past several years. Some effort, therefore, has been made to create an awareness of the problem and secure adjustments in label allowances so that they will more nearly represent the actual costs of the labels.

In shipping products under the buyer's labels, the labels are ordinarily supplied by the buyer and the labeling is done by the association prior to shipment. Frequently the cooperative carries stocks of labels of its regular customers for use as directed, replenishing these stocks as needed from the label manufacturers, upon order of the buyer. A small percentage of the products sold by these associations was shipped unlabeled and on these shipments an allowance was made not only for the label cost, but also for the labor required to perform the labeling operation. The labor allowance varied from 1 to 2 cents per case.

Some of the associations which made numerous sales to other processors granted a canner's allowance. The canner's allowance usually amounted to a 5 percent discount.



## Appendix

### The Sample

In the text of this report, the sample has been discussed briefly on pp.        and an analysis of the cooperative associations included in the study classified by geographic areas and types of commodities processed is presented in table 1, page

A more detailed analysis of the commodity sample is shown in the following table. This table indicates that the percentage of noncitrus fruits processed by cooperatives represented by the sample is very high, amounting to 95 percent. The sample represents a little over 70 percent of the citrus juices, and slightly over half of the vegetables processed by cooperatives in 1948-49.

Records of the Cooperative Research and Service Division indicate that in 1948-49 cooperatives processed about 12 percent of the canned noncitrus fruits, 23 percent of the canned citrus fruit juices and segments, and slightly over 3 percent of the canned vegetables produced in the United States. 1/

Because of the great expense and amount of time and effort that would be required to code, card punch, and tabulate every item transferred from the invoice records of the participating associations to Farm Credit Administration schedules for two fiscal years, a sampling method was developed by Earl E. Houseman, Statistical Consultant of the Bureau of Agricultural Economics, whereby all items were sampled on a representative basis.

### Procedure

As indicated in the text of this report, in all but two instances the data were obtained on a contract basis. Personnel of the contracting cooperative transcribed the data from the invoice records of the association to schedules developed for this purpose by the Farm Credit Administration. This schedule provided for all the information on the invoice, and included invoice number, date of invoice, name of buyer, address of buyer, type of buyer, distribution channel (broker or direct), pricing method (f.o.b., delivered, etc.), routing, number of cases, number of dozen, can size, grade, brand name and commodity description, price per dozen, and amount. A space was also provided for notations on discounts and allowances, as well as the freight and handling charges included on the invoices for prepaid shipments. Two schedules were prepared. One was used in recording the data for the canned commodities and the other for the frozen commodities. A sample of the canned-commodity schedule is included in this appendix.

1/ Gessner, Anne L., Handbook of Cooperatives Processing Horticultural Products, 1948-49. Misc. Rep. 142, Farm Credit Admin., U. S. Dept. Ag., 1950.

Appendix table. - Percentage of principal fruits and vegetables canned by all cooperatives represented by sample, 1948-49

Commodity	Total volume canned by cooperatives	Total volume in sample	Sample as a percentage of total volume canned by cooperatives
	<u>Thousands of cases</u>		<u>Percent</u>
	(actual)	(actual)	
<u>Noncitrus fruits:</u>			
Apples and applesauce.....	149	96	64.4
Apple juice.....	317	233	73.5
Apricots.....	385	385	100.0
Cherries, tart.....	648	636	98.1
Cherries, sweet.....	133	121	91.0
Peaches.....	1,260	1,252	99.4
Pears.....	873	855	97.9
Plums and prunes.....	173	172	99.4
Blackberries.....	49	49	100.0
Boysenberries.....	89	79	88.8
Raspberries (black and red).....	76	65	85.5
Loganberries.....	14	14	100.0
Total.....	4,166	3,957	95.0
	(Basis 24 No. 2 cans)	(Basis 24 No. 2 cans)	
<u>Citrus juices:</u>			
Grapefruit juice.....	4,230	3,050	72.1
Orange juice.....	4,045	2,804	69.3
Orange-grapefruit juice.....	1,786	1,249	69.9
Total.....	10,061	7,103	70.6
<u>Vegetables:</u>			
Green and wax beans.....	1,453	754	51.9
Sweet corn.....	1,073	439	40.9
Peas.....	627	366	58.4
Spinach.....	210	151	71.9
Tomatoes.....	246	103	41.5
Tomato juice.....	563	279	50.0
Total.....	4,172	2,092	50.1

Before coding was begun, the schedules received from each association were edited and the type of buyer was filled in on the schedules of those associations which had been unable to furnish this information. In filling in information on type of buyer, the "Thomas' Wholesale Grocery and Kindred Trades Register" was used as the basis for classification.

Two professional staff members did the field work for this study and developed the analyses and one statistical clerk handled the coding of the data. Machine tabulations were run by the Tabulating Section of the Farm Credit Administration.

A sample of the questionnaire used in the broker survey is also included in this appendix.





6. In which of the following groups would the total value of the products handled by your firm fall during the 1950 year? Under \$250,000 ☐, \$250,000 to \$499,999 ☐, \$500,000 to \$999,999 ☐, \$1,000,000 and over ☐.

7. How do you keep in touch with marketing conditions in this market?

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8. (a) Would you say that the wholesale prices of cooperative brands (or products) are higher, lower, or about the same as the wholesale prices of major competing commodity lines?
- (b) As far as quality is concerned would you say that the cooperative brand (or product) is higher, lower, or about the same as major competing grades for similar commodity lines?
- (c) As far as sales promotion is concerned, would you say that cooperative brands receive more, less, or about the same sales promotion as major competing commodity lines?

	<u>Name of cooperative</u>	<u>Commodity (for each commodity listed in question 2)</u>	<u>Higher (more)</u>	<u>Lower (less)</u>	<u>Same</u>
Wholesale prices	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Quality	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Sales promotion	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

9. (a) In addition to the competitive factors (price, quality, sales promotion) discussed in question 8, are there other competitive factors such as type of label, container size or available supplies that influence your buyers in selecting cooperative products? Yes ☐ No ☐ If yes, explain:

<u>Name of cooperative</u>	<u>Commodity</u>	<u>Comment</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

- (b) Are there any other factors that influence your buyers in selecting the competing commodity lines? Yes ☐ No ☐ If yes, explain:

<u>Name of competing brand</u>	<u>Commodity</u>	<u>Comment</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

10. (For each cooperative principal listed in question 2): What could be done by either you or the \_\_\_\_\_ to obtain a larger share of the market?

<u>Name of Cooperative</u>	<u>Comment</u>
_____	_____
_____	_____

11. (a) What principal type of contacts exist between your brokerage firm and the cooperative principal? \_\_\_\_\_

- (b) Are these broker-principal contacts adequate at all times? Yes ☐ No ☐

Explain: \_\_\_\_\_



- 12\*. (a) How would you say cooperative principals compare with other principals with respect to being informed on market conditions such as prevailing prices, available supplies, etc.?

Name of  
cooperative

Comment

_____	_____
_____	_____
_____	_____

- (b) How would you say cooperative principals compare with other principals in adjusting their merchandising practices to meet changing price situations and other competitive conditions?

Name of  
cooperative

Comment

_____	_____
_____	_____
_____	_____

- (c) How would you say cooperative principals compare with other principals in shifting into markets where supplies are low?

Name of  
cooperative

Comment

_____	_____
_____	_____
_____	_____

13. As far as canned goods are concerned, are adequate supplies made available for your market at all times by the cooperative principal? Yes ☐ No ☐ If No, explain what you think are the causes for not being able to get adequate supplies of the cooperative principal's products.

Name of  
cooperative

Commodity

Comment

_____	_____	_____
_____	_____	_____

14. To what kind of buyers do you think the selling program for your cooperative principal should be directed in this market? Chain store ☐, Super market ☐, Wholesale grocer ☐, Institutional ☐, Independent retail ☐.
15. (a) Has there been any change in the type of buyer you have been selling to since 1948? Yes ☐ No ☐. If your answer is Yes, explain:
- \_\_\_\_\_
- \_\_\_\_\_
16. What recent changes or significant trends in merchandising methods have you noticed in this market that your cooperative principal should be aware of?
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
17. (a) Would you say that more of your sales of canned commodities in this market are made under processors' labels ☐, or under buyers' labels? ☐ Explain:
- \_\_\_\_\_
- (b) Would you say more of your sales of frozen commodities in this market are made under processors' labels ☐, or under buyers' labels? ☐ Explain:
- \_\_\_\_\_
- \_\_\_\_\_
18. Does your firm arrange for any specialized services for your cooperative principals (specialty men, merchandising aids, etc.)? Yes ☐ No ☐ Explain:
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

FOR EACH COOPERATIVE IN THIS MARKET:

19. (a) \_\_\_\_\_  
(Name of Cooperative)

(b) What type of product promotion does this principal do now? \_\_\_\_\_

(c) How effective do you think this promotion is? \_\_\_\_\_

(d) How much do you think this cooperative principal spent for product promotion in this market?

Period	Expenditure		Percentage allocated to advertising media	
			1945-49	1950
1945-49	\$ _____	Newspaper.....	_____ %	_____ %
1950	\$ _____	Radio.....	_____ %	_____ %
		Television.....	_____ %	_____ %
		Store display.....	_____ %	_____ %
		Other (specify)		
		_____	_____ %	_____ %
		_____	_____ %	_____ %
		_____	_____ %	_____ %
		Total.....	100 %	100 %

(e) Which of this cooperative's products do you think need the most promotion?

Commodity	Kind of promotion	Estimated cost of promotion needed	Comment
_____	_____	_____	_____





# MARKETING PRACTICES OF COOPERATIVES CANNING AND FREEZING FRUITS AND VEGETABLES

SALES BY MONTHS FOR \_\_\_\_\_ SEASON

ADDRESS

ASSOCIATION NAME

[illegible]





